# INTERNATIONAL SPECIALTY PRODUCTS INC /NEW/

## FORM S-4
(Securities Registration: Business Combination)

Filed 12/13/1996

| | |
|---|---|
| Address | 300 DELAWARE AVENUE SUITE 303 |
| | WILMINGTON, Delaware 19801 |
| Telephone | 302-427-5715 |
| CIK | 0001026738 |
| Industry | Chemical Manufacturing |
| Sector | Basic Materials |
| Fiscal Year | 12/31 |

Generated by **EDGAR Online Pro**
http://pro.edgar-online.com

EDGAR Online

Contact **EDGAR Online**
Customer Service: 203-852-5666
Corporate Sales: 212-457-8200

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 13, 1996

REGISTRATION NO. 333-

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM S-4

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

# ISP HOLDINGS INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| DELAWARE | 6719 | 51-0376469 |
|---|---|---|
| (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) | (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER) | (I.R.S. EMPLOYER IDENTIFICATION NUMBER) |

**ISP HOLDINGS INC.**
**818 WASHINGTON STREET**
**WILMINGTON, DELAWARE 19801**
(302) 428-0847
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
**OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)**

**RICHARD A. WEINBERG, ESQ.**
**ISP MANAGEMENT COMPANY, INC.**
**1361 ALPS ROAD**
**WAYNE, NEW JERSEY 07470**
(201) 628-3000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
**OF AGENT FOR SERVICE)**

With a copy to:
**STEPHEN E. JACOBS, ESQ.**
**WEIL, GOTSHAL & MANGES LLP**

**767 FIFTH AVENUE**
**NEW YORK, NEW YORK 10153-0119**
(212) 310-8000

**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as**

practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. / /

## CALCULATION OF REGISTRATION FEE

| TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED | AMOUNT TO BE REGISTERED | PROPOSED MAXIMUM OFFERING PRICE PER NOTE | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE | AMOUNT OF REGISTRATION FEE |
|---|---|---|---|---|
| Series B 9% Senior Notes due 2003..... | $325,000,000 | 99.721% | $324,093,250 | $ 98,210 |
| Series B 9 3/4% Senior Notes due 2002..... | $199,871,000 | 100% | $199,871,000 | $ 60,567 |
| Total Registration Fee..... | | | | $158,777 |

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BECOME EFFECTIVE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

**SUBJECT TO COMPLETION, DATED DECEMBER 13, 1996**

**PROSPECTUS**

**OFFER FOR**
**ALL OUTSTANDING 9% SENIOR NOTES DUE 2003**
**IN EXCHANGE FOR SERIES B 9% SENIOR NOTES DUE 2003**
**AND**
**ALL OUTSTANDING 9 3/4% SENIOR NOTES DUE 2002**
**IN EXCHANGE FOR SERIES B 9 3/4% SENIOR NOTES DUE 2002**
**OF**
**ISP HOLDINGS INC.**

**EACH OF THESE EXCHANGE OFFERS WILL EXPIRE AT 12:00 MIDNIGHT,**
**NEW YORK CITY TIME, ON , 1997.**

---

ISP Holdings Inc., a Delaware corporation ('ISP Holdings'), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal (each of which constitutes an 'Exchange Offer' and both of which together constitute the 'Exchange Offers'), to exchange
(i) $1,000 principal amount of its Series B 9% Senior Notes due 2003 (the 'New 9% Notes') for each $1,000 principal amount of its 9% Senior Notes due 2003 (the 'Old 9% Notes'), of which an aggregate principal amount of $325,000,000 is outstanding, and (ii) $1,000 principal amount of its Series B 9 3/4% Senior Notes due 2002 (the 'New 9 3/4% Notes') for each $1,000 principal amount of its 9 3/4% Senior Notes due 2002 (the 'Old 9 3/4% Notes'), of which an aggregate principal amount of $199,871,000 is outstanding.

The form and terms of the New 9% Notes are identical to the form and terms of the Old 9% Notes except that the New 9% Notes have been registered under the Securities Act of 1933, as amended (the 'Securities Act'), and will not bear any legends restricting the transfer thereof. The New 9% Notes will evidence the same debt as the Old 9% Notes and will be issued pursuant to, and entitled to the benefits of, the Indenture governing the Old 9% Notes (the '9% Note Indenture').

The form and terms of the New 9 3/4% Notes are identical to the form and terms of the Old 9 3/4% Notes except that the New 9 3/4% Notes have been registered under the Securities Act, and will not bear any legends restricting the transfer thereof. The New 9 3/4% Notes will evidence the same debt as the

Old 9 3/4% Notes and will be issued pursuant to, and entitled to the benefits of, the Indenture governing the Old 9 3/4% Notes (the '9 3/4% Note Indenture'). The covenants in the 9% Note Indenture are substantially similar to the covenants in the 9 3/4% Note Indenture. See 'Description of the New Notes.'

The Exchange Offers are being made in order to satisfy certain contractual obligations of ISP Holdings. There will be no cash proceeds to ISP Holdings from the exchanges pursuant to the Exchange Offers. See 'The Exchange Offers' and 'Description of the New Notes.' As used herein, (i) the term '9% Notes' means THE Old 9% Notes and the New 9% Notes, treated as a single class, (ii) the term '9 3/4% Notes' means the Old 9 3/4% Notes and the New 9 3/4% Notes, treated as a single class, (iii) the term 'Old Notes' means, collectively, the Old 9% Notes and the Old 9 3/4% Notes, (iv) the term 'New Notes' means, collectively, the New 9% Notes and the New 9 3/4% Notes, (v) the term 'Notes' means, collectively, the 9% Notes and the 9 3/4% Notes and (vi) the term 'Indentures' means the 9% Note Indenture and the 9 3/4% Note Indenture.

(continued on next page)

---

SEE 'RISK FACTORS' BEGINNING ON PAGE 15 FOR A DISCUSSION OF CERTAIN FACTORS WHICH HOLDERS OF OLD NOTES SHOULD CONSIDER IN CONNECTION WITH THE EXCHANGE OFFERS.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE DATE OF THIS PROSPECTUS IS , 199 .**

(Continued from front cover)

The New Notes will bear interest from and including their respective dates of issuance. Holders whose Old Notes are accepted for exchange will receive accrued interest thereon to, but not including, the date of issuance of such New Notes, such interest to be payable with the first interest payment on such New Notes, but will not receive any payment in respect of interest on such Old Notes accrued after the issuance of such New Notes.

ISP Holdings will accept for exchange any and all Old Notes validly tendered and not withdrawn prior to 12:00 midnight, New York City time, on _____, 1997 unless extended (as so extended, the 'Expiration Date'). Tenders

of Old Notes may be withdrawn at any time prior to the Expiration Date. The Exchange Offers are subject to certain customary conditions. See 'The Exchange Offers.'

Based on no-action letters issued by the staff of the Securities and Exchange Commission (the 'Commission') to third parties, ISP Holdings believes that the New Notes issued pursuant to the Exchange Offers may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP Holdings within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holder's business, such holder is not engaging in or does not intend to engage in a distribution of such New Notes and such holder has no arrangement with any person to participate in the distribution of such New Notes. Any holder who tenders in either Exchange Offer for the purpose of participating in a distribution of New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transactions. Each broker-dealer that receives New Notes for its own account pursuant to either Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. The letter of transmittal accompanying this Prospectus (the 'Letter of Transmittal') states that, by so acknowledging and by delivering a prospectus meeting the requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New 9% Notes received in exchange for Old 9% Notes or resales of New 9 3/4% Notes received in exchange for Old 9 3/4% Notes, in each case where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. ISP Holdings has agreed that, for a period of 180 days after the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See 'Plan of Distribution.'

The Notes are redeemable, in whole or in part, at the option of ISP Holdings at any time on or after October 15, 1999 at the redemption prices (expressed as percentages of principal amount) set forth herein, plus accrued and unpaid interest to the redemption date. In the event that prior to October 15, 1999, a sale of common stock of ISP Holdings or certain of its subsidiaries shall occur, ISP Holdings will have the option to redeem the Notes using the net cash proceeds received therefrom by ISP Holdings as provided, and subject to the limitations set forth, in the Indentures.

Each of the New 9% Notes and the New 9 3/4% Notes will be senior unsecured obligations of ISP Holdings, will rank pari passu with all other unsecured and unsubordinated obligations of ISP Holdings and will rank pari passu with each other. ISP Holdings is a holding company which has no subordinated obligations; consequently, the New Notes, at the time of issuance, will not be senior to any obligations of ISP Holdings. Upon consummation of the Exchange Offers, the only outstanding indebtedness for money borrowed of ISP Holdings will be the Notes. As of September 29, 1996, the outstanding indebtedness for money borrowed of the subsidiaries of ISP Holdings was $361.4 million and the other outstanding liabilities reflected on ISP Holdings' consolidated balance sheet, including

trade payables and accrued expenses, was $226.1 million, not including $770.3 million of net noncurrent liabilities of discontinued operations. See 'Management's Discussion and Analysis of Financial Condition and Results of Operation.' The New Notes will be effectively subordinated to all liabilities of such subsidiaries. As of September 29, 1996, after giving pro forma effect to the Transactions (as defined), the outstanding consolidated indebtedness of ISP Holdings and its then-existing subsidiaries would have been $812.2 million. The Indentures limit, among other things, the incurrence of additional Debt (as defined) and the issuance of Preferred Stock (as defined) by ISP Holdings and its subsidiaries. See 'Risk Factors--Holding Company Structure and Related Considerations' and 'Description of the New Notes--Certain Covenants.'

Prior to the Exchange Offers, there has been no public market for the Notes. ISP Holdings does not intend to list the New 9% Notes or the New 9 3/4% Notes on any securities exchange or to seek approval for quotation through any automated quotation system and there can be no assurance that an active public market for the New 9% Notes or the New 9 3/4% Notes will develop.

Neither Exchange Offer is conditioned upon any minimum principal amount of Old Notes being tendered for exchange pursuant to such Exchange Offer.

## EXPLANATORY NOTE

ISP Holdings is currently a wholly owned subsidiary of GAF Corporation ('GAF'), and Building Materials Corporation of America ('BMCA'), U.S. Intec, Inc. ('USI') and GAF Chemicals Corporation ('GCC') are currently wholly owned subsidiaries of ISP Holdings. In addition to its Chemicals Business (defined below), ISP Holdings, through BMCA and USI, is currently a leading national manufacturer of a broad line of asphalt roofing products and accessories for the residential and commercial roofing markets (such businesses, collectively, the 'Building Materials Business'). GCC owns an investment in Rhone-Poulenc Surfactants & Specialties L.P., a Delaware partnership which operates, among other businesses, GCC's former surfactants chemicals business (the 'Surfactants Partnership').

Subject to the satisfaction of certain conditions, GAF intends to effect a series of transactions involving GAF's subsidiaries and certain assets of GAF's subsidiaries (such transactions, collectively, the 'Spin Off Transactions') that will result in, among other things, the capital stock of ISP Holdings (whose principal asset will be approximately 83% of the issued and outstanding capital stock of International Specialty Products Inc. ('ISP')) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP will no longer be direct or indirect subsidiaries of GAF, and the Building Materials Business and the assets of GCC will no longer be assets of ISP Holdings. See 'The Spin Off Transactions.'

Due to the likelihood of satisfying the conditions to the Spin Off Transactions prior to the distribution of this Prospectus to the holders of the Old Notes, except as otherwise provided herein, the information contained in this Prospectus reflects the consummation of the Spin Off Transactions. Accordingly, the financial information with respect to those companies that will not be subsidiaries of ISP Holdings after giving effect to the Spin Off Transactions, including BMCA, USI and GCC, has been accounted for as discontinued operations. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and the Consolidated Financial Statements included elsewhere in this Prospectus.

## SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. AS USED IN THIS PROSPECTUS, THE COMPANY MEANS ISP HOLDINGS INC. ('ISP HOLDINGS') AND ITS CONSOLIDATED SUBSIDIARIES AND PREDECESSORS, UNLESS THE CONTEXT OTHERWISE REQUIRES.

## THE COMPANY

### ISP HOLDINGS

The business of ISP Holdings consists of owning approximately 83% of the issued and outstanding common stock of ISP. The remaining 17% of the outstanding ISP common stock is publicly held and traded on the New York Stock Exchange. ISP Holdings was formed in 1996 in order to consummate the ISP Holdings Transactions (as defined herein), which were consummated on October 18, 1996. See 'The ISP Holdings Transactions.' Prior to the Spin Off Transactions, ISP Holdings was a

direct wholly owned subsidiary of GAF. GAF is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, ISP and BMCA. As a result of the Spin Off Transactions, the outstanding common stock of ISP Holdings is now held directly by the stockholders of GAF. Mr. Heyman continues to control both ISP Holdings and GAF. See 'Security Ownership of Certain Beneficial Owners and Management.' GAF was organized by Mr. Heyman for the purpose of effecting the acquisition in March 1989 of the predecessor company to GAF in a management-led buyout. ISP Holdings' principal executive offices are located at 818 Washington Street, Wilmington, Delaware 19801 (telephone (302) 428-0847).

The financial information concerning ISP Holdings contained in this Prospectus has been prepared on a basis which retroactively reflects the formation of ISP Holdings.

### ISP

ISP, through its direct and indirect subsidiaries, is a leading multinational manufacturer of specialty chemicals, mineral products, filter products and advanced materials (such businesses conducted through the direct and indirect subsidiaries of ISP, collectively, the 'Chemicals Business'). ISP produces and markets more than 325 specialty chemicals. These products are sold in domestic and international markets, primarily for use in



G-I_EPA0009201

branded consumer products manufactured by multinational companies engaged in relatively non-cyclical industries such as cosmetics and personal care, pharmaceuticals, health-related products and beverages. ISP believes that it is one of the two largest manufacturers of many of the specialty chemicals, mineral products and advanced materials it produces.

ISP emphasizes sales of higher margin specialty chemicals to niche markets. These products, while often representing a relatively small portion of its customers' production costs, generally constitute key ingredients in the end products in which they are used. ISP believes it has been able to sustain its market share positions for many of its specialty chemicals by establishing and maintaining long-term relationships with its customers, working closely with its customers to develop specialty chemicals tailored to their specific needs, emphasizing sales for use in branded products that typically are not reformulated during their life cycles. In addition, because of the specialized nature of ISP's specialty chemicals and the fact that certain of such chemicals are sold primarily to relatively non-cyclical industries, ISP believes that demand for such chemicals is less affected by changes in economic conditions than is the case with commodity chemical products. See 'Business--ISP.'

During the years ended December 31, 1995 and December 31, 1994 and the nine months ended September 29, 1996 and October 1, 1995, ISP had net sales of $689 million, $600 million, $544.1 million and $530.3 million, respectively, and operating income of $106.1 million, $72.5 million, $98.2 million and $81.2 million, respectively.

ISP's strategy for future growth involves (i) the introduction of new products and the development of new applications for existing products, (ii) geographic expansion and penetration of new markets, and (iii) selected acquisitions of businesses which complement ISP's existing businesses. See 'Business--ISP--Strategy.'

* * * * *

Statements contained herein as to the Company's competitive position are based on industry information which the Company believes to be reliable.



G-I_EPA0009202

## THE SPIN OFF TRANSACTIONS

### GENERAL

On , 1997, GAF effected the Spin Off Transactions which resulted in the common stock of ISP Holdings (whose principal asset is approximately 83% of the issued and outstanding common stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, while certain other assets and liabilities relating to the Building Materials Business, including liabilities for asbestos-related claims, remain part of GAF, but are not assets or liabilities of ISP Holdings. For information regarding the Building Materials Business, see 'Available Information.'

Prior to consummation of the Spin Off Transactions, GAF received a ruling (the 'IRS Ruling') from the Internal Revenue Service (the 'IRS') to the effect that the Spin Off Transactions will not result in recognition of income by GAF or any members of GAF's federal consolidated tax group (the 'GAF Tax Group'). The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request for such ruling as to certain facts and circumstances with respect to the Spin Off Transactions. The GAF Tax Group, which prior to the Spin Off Transactions included ISP Holdings and ISP, would suffer adverse tax consequences if the Spin Off Transactions did not qualify as 'tax-free spin offs.' See 'Risk Factors--Additional Risks Related to the Spin Off Transactions.' Also see 'Certain Relationships--Mutual Indemnification.'

Prior to consummation of the Spin Off Transactions, GAF also received an opinion of Houlihan Lokey Howard & Zukin ('HLHZ') regarding the solvency of GAF and the other companies that engaged in distributions pursuant to the Spin Off Transactions. See 'The Spin Off Transactions' for a description of such opinion and the reviews, analyses and inquiries made by HLHZ and the financial projections, forecasts and other representations provided by GAF and certain of its subsidiaries and relied upon by HLHZ in rendering such opinion.

## THE ISP HOLDINGS TRANSACTIONS

The Tender Offer, the Old Exchange Offer and the 9% Note Offering (each as defined below) and the application of the proceeds therefrom are collectively referred to herein as the 'ISP Holdings Transactions' and, together with the Spin Off Transactions, the 'Transactions.'

### TENDER OFFER

On October 18, 1996, ISP Holdings consummated a cash tender offer and consent solicitation (the 'Tender Offer') for all of the Senior Discount Notes and Series B Senior Discount Notes due 1998 (the 'Discount Notes') of G-I Holdings Inc., a wholly owned subsidiary of ISP Holdings prior to consummation of the Spin Off Transactions ('G-I Holdings'). Approximately 99% of the outstanding Discount Notes were tendered pursuant to the Tender Offer and approximately $6.3 million in aggregate principal amount at maturity remain outstanding. In connection with such offer to purchase, ISP Holdings also obtained the consent of the tendering holders of the Discount Notes to certain amendments (the 'Discount Note Amendments') to the Indenture dated as of October 5, 1993 (the 'Discount Note Indenture') between G-I Holdings and the Bank of New York, as trustee, governing the Discount Notes. The Discount Note Amendments modified or eliminated certain restrictive covenants contained in the Discount Note Indenture, including those covenants that would have prohibited the Spin Off Transactions. Pursuant to the Tender Offer, ISP Holdings paid an aggregate purchase price of approximately $376.3 million with the proceeds of the 9% Note Offering and the Repurchase as described below.

Concurrently with the consummation of the Tender Offer, ISP Holdings made a loan to ISP in the amount of $73.2 million (the 'ISP Loan') and G-I Holdings purchased for cash from ISP Holdings Discount Notes tendered pursuant to the Tender Offer (the 'Repurchase') in an amount equal to $133 million, which was sufficient, together with the net proceeds of the 9% Note Offering (after giving effect to the ISP Loan), to allow ISP Holdings to consummate the Tender Offer and to pay expenses in connection with the ISP Holdings Transactions. All remaining Discount Notes validly tendered and purchased in the Tender Offer by ISP Holdings (approximately $277.0 million at maturity) were held by ISP Holdings and remained outstanding as obligations of G-I Holdings until immediately prior to consummation of the Spin Off Transactions, at which time they were contributed to G-I Holdings as a capital contribution and cancelled by G-I Holdings. In addition, immediately prior to such capital contribution, at the time of the Spin Off Transactions, G-I Holdings purchased from ISP Holdings Discount Notes for an aggregate amount equal to $ , representing the sum of $45 million and



G-I_EPA0009203

the amount of fees and expenses of ISP Holdings related to the Spin Off Transactions (not including those fees and expenses already paid by ISP Holdings related to the ISP Holdings Transactions). All Discount Notes so purchased were cancelled by G-I Holdings.

**OLD EXCHANGE OFFER**

On October 18, 1996, ISP Holdings consummated an offer to exchange (the 'Old Exchange Offer') $1,000 principal amount of the Old 9 3/4% Notes for each $1,000 principal amount of G-I Holdings' Series B 10% Senior Notes due 2006 (the '10% Notes'). Approximately 99% of the outstanding 10% Notes were tendered pursuant to the Old Exchange Offer and approximately $0.1 million in aggregate

principal amount remain outstanding. All 10% Notes validly tendered and accepted in the Old Exchange Offer were held by ISP Holdings and remained outstanding as obligations of G-I Holdings until immediately prior to consummation of the Spin Off Transactions, at which time such 10% Notes were contributed to G-I Holdings by ISP Holdings as a capital contribution and cancelled by G-I Holdings. In connection with such exchange offer, ISP Holdings also obtained the consent of the tendering holders of the 10% Notes to certain amendments (the '10% Note Amendments') to the Indenture dated as of February 14, 1996 (the '10% Note Indenture') between G-I Holdings and the Bank of New York, as trustee, governing the 10% Notes. The 10% Note Amendments modified or eliminated certain restrictive covenants contained in the 10% Note Indenture, including those covenants that would have prohibited the Spin Off Transactions.

**THE 9% NOTE OFFERING**

On October 18, 1996, ISP Holdings issued and sold $325 million in aggregate principal amount of the Old 9% Notes in a private placement (the '9% Note Offering').

## THE EXCHANGE OFFERS

The Exchange Offers are being made with respect to all of ISP Holdings' outstanding 9% Senior Notes due 2003 (the 'Old 9% Notes') and 9 3/4% Senior Notes due 2002 (the 'Old 9 3/4% Notes'). The form and terms of each issue of New Notes are the same as the form and terms of the respective issue of Old Notes, except that, in each case, the New Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof. Each issue of New Notes will evidence the same debt as the respective issue of Old Notes and will be entitled to the benefits of the Indenture pursuant to which such Old Notes were issued. The Old Notes and the New Notes are sometimes referred to collectively herein as the 'Notes.' See 'Description of the New Notes.'

The Exchange Offers..... (i) $1,000 principal amount of New 9% Notes in exchange for each $1,000 principal amount of Old 9% Notes. As of the date hereof, $325,000,000 aggregate principal amount of the Old 9% Notes are outstanding. The terms of the New 9% Notes and the Old 9% Notes are substantially identical.

(ii) $1,000 principal amount of New 9 3/4% Notes in exchange for each $1,000 principal amount of Old 9 3/4% Notes. As of the date hereof, $199,871,000 aggregate principal amount of the Old 9 3/4% Notes are outstanding. The terms of the New 9 3/4% Notes and the Old 9 3/4% Notes are substantially identical.

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, ISP Holdings believes

that New Notes issued pursuant to the Exchange Offers in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP Holdings within the meaning of Rule 405 promulgated under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (i) such New Notes are acquired in the ordinary course of business of such holder, (ii) such holder is not engaging in or does not intend to engage in a distribution of such New Notes, and (iii) such holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offers for the purpose of participating in a distribution of the New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. See 'The Exchange Offers--Purpose and Effect' and 'Plan of Distribution.'

Registration Agreements..... (i) The Old 9% Notes were issued by ISP Holdings on October 18, 1996 in the 9% Note Offering. In connection therewith, ISP Holdings agreed to use its best efforts to cause a registration statement to become effective with respect to an exchange offer of a new security for the Old 9% Notes (the '9% Note

Registration Agreement'). See 'The Exchange Offers--Purpose and Effect.'

(ii) The Old 9 3/4% Notes were issued pursuant to a private placement by ISP Holdings on October 18, 1996 in the Old Exchange Offer. In connection therewith, ISP Holdings agreed to use its best efforts to cause a registration statement to become effective with respect to an exchange offer of a new security for the Old 9 3/4% Notes (the '9 3/4% Note Registration Agreement' and, together with the 9% Note Registration Agreement, the 'Registration Agreements'). See 'The Exchange Offers--Purpose and Effect.'

Expiration Date..... Each Exchange Offer will expire at 12:00 midnight, New York City time, on , 1997, or at such later date or time to which it is extended (as so extended, the 'Expiration Date'). ISP Holdings does not intend to extend either Exchange Offer, although it reserves the right to do so.

Withdrawal..... The tender of Old Notes pursuant to either Exchange Offer may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof as promptly as practicable after the expiration or termination of the Exchange Offers.

Interest on the New Notes and Old Notes..... (i) The 9% Notes will pay interest on the principal thereof at the rate of 9% per annum, payable on April 15 and October 15 each year, commencing on April 15, 1997, to the persons who are registered holders on the immediately preceding April 1 and October 1. See 'Description of the New Notes--Principal, Maturity and Interest.'

(ii) The 9 3/4% Notes will pay interest on the principal thereof at the rate of 9 3/4% per annum, payable on February 15 and August 15 each year, commencing on February 15, 1997, to the persons who are registered holders on the immediately preceding February 1 and August 1. See 'Description of the New Notes--Principal, Maturity and Interest.'

Conditions to the Exchange Offers..... The Exchange Offers are subject to certain customary conditions, each of which may be waived by ISP Holdings. Neither Exchange Offer is conditioned upon any principal amount of Old Notes being tendered for exchange pursuant to such Exchange Offer. See 'The Exchange Offers--Conditions.'

Procedures for Tendering Old Notes..... Each holder of Old Notes wishing to accept the applicable Exchange Offer must complete, sign and date the applicable Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with such Old Notes and any other required documentation, to The Bank of New York (the 'Exchange Agent') at the address set forth herein. Tendered Old Notes must be received by the Exchange Agent by 12:00 midnight, New York City time, on the Expiration Date. By executing the Letter of Transmittal, each



G-I_EPA0009206

holder will represent to the Company that, among other things, (i) the New Notes acquired pursuant to the applicable Exchange Offer are being obtained in the ordinary course of business of such holder, (ii) the holder is not engaging in and does not intend to engage in a distribution of such New Notes, (iii) the holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes, and (iv) the

holder is not an 'affiliate,' as defined under Rule 405 promulgated under the Securities Act, of the Company. Pursuant to the Registration Agreements, the Company is required to file a registration statement for a continuous offering pursuant to Rule 415 under the Securities Act in respect of the Old Notes of any holder that would not receive freely tradeable New Notes in either Exchange Offer or is ineligible to participate in such Exchange Offer and indicates that it wishes to have its Old Notes registered under the Securities Act. See 'The Exchange Offers--Procedures for Tendering.'

Book-Entry Transfer..... The Exchange Agent will make a request to establish separate accounts with respect to the Old Notes at the Book-Entry Transfer Facility (as defined herein) for purposes of the Exchange Offers within two business days after receipt of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Notes by causing the Book-Entry Transfer to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

Special Procedures for Beneficial Owner..... Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee (with respect to each issue of New Notes, each, a 'Registered Holder') and who wishes to tender such Old Notes should contact the Registered Holder promptly and instruct such Registered Holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the Registered Holder. The transfer of registered ownership may take considerable time. See 'The Exchange Offers--Procedures for Tendering.'

Guaranteed Delivery Procedures..... If a Registered Holder of the applicable issue of Old Notes desires to tender such Old Notes and the Old Notes are not immediately available, or time will not permit such holder's Old Notes or other



G-I_EPA0009207

| | |
|---|---|
| | required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected according to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed Delivery Procedures.' |
| Acceptance of Old Notes and Delivery of New Notes..... | The Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offers prior to 12:00 midnight, New York City time, on the Expiration Date. The New Notes issued pursuant to the Exchange Offers will be delivered promptly following the Expiration Date. See 'The Exchange Offers--Terms of the Exchange Offers.' |
| Exchange Agent..... | The Bank of New York is serving as the Exchange Agent in connection with the Exchange Offers. |
| Consequences of Failure to Exchange..... | The liquidity of the market for a holder's Old Notes could be adversely affected upon completion of the relevant Exchange Offer if such holder does not participate in such Exchange Offer. See 'The Exchange Offers--Consequences of Failure to Exchange.' |
| Federal Income Tax Consequences..... | The exchange pursuant to either Exchange Offer should not be a taxable event for federal income tax purposes. See 'Certain Federal Income Tax Considerations.' |



G-I_EPA0009208

## TERMS OF THE NEW NOTES

| | |
|---|---|
| Issuer..... | ISP Holdings Inc. |
| Issues..... | (i) Up to $325,000,000 aggregate principal amount at maturity of Series B 9% Senior Notes due 2003 (the 'New 9% Notes').<br><br>(ii) Up to $199,871,000 aggregate principal amount at maturity of Series B 9 3/4% Senior Notes due 2002 (the 'New 9 3/4% Notes'). |
| Maturities..... | (i) October 15, 2003, with respect to the New 9% Notes.<br><br>(ii) February 15, 2002, with respect to the New 9 3/4% Notes. |
| Interest and Interest Payment Dates..... | (i) The New 9% Notes will accrue interest at the rate of 9% per annum accruing from the date of issuance or the most recent interest payment date to which interest has been paid.<br><br>(ii) The New 9 3/4% Notes will accrue interest at the rate of 9 3/4% per annum accruing from the date of issuance or the most recent interest payment date to which interest has been paid. |
| Optional Redemption..... | Each of the New 9% Notes and the New 9 3/4% Notes is redeemable, in whole or in part, at the option of ISP Holdings at any time on or after October 15, 1999 at the redemption prices (expressed as percentages of principal amount) set forth herein, plus accrued and unpaid interest to the redemption date. In addition, prior to October 15, 1999, an amount of each issue of New Notes representing an aggregate of up to 50% of the then outstanding amount of such issue of New Notes will be redeemable at the option of ISP Holdings from the net cash proceeds of an issuance of common stock of ISP Holdings or an issuance or sale of Common Stock of ISP, at 109% in the case of the New 9% Notes, or 109.75% in the case of the New 9 3/4% Notes, of the principal amount thereof plus accrued interest thereon to the date of redemption, provided that, after giving effect to any such redemption, not less than a majority of the principal amount of such 9% Notes or 9 3/4% Notes, as the case may be, originally issued would be outstanding. |
| Change of Control Put and Call..... | Upon the occurrence of a Change of Control (as defined), each holder of New Notes will have the right to require the Company to repurchase such holder's New Notes at a purchase price of 101% of the principal amount of such New Notes (or, if lower, the applicable redemption prices then in effect under the provisions described in the first and fourth paragraphs under 'Description of the New Notes--Optional Redemption'), plus accrued and unpaid interest, if any, to the repurchase date, and the Company will have the option to redeem the New Notes in whole at a redemption price equal to the then outstanding principal amount, plus the Applicable Premium (as defined), plus accrued and unpaid interest, if any, to the redemption date. |
| Ranking and Holding Company Structure..... | Each of the New 9% Notes and the New 9 3/4% will be senior unsecured obligations of ISP Holdings and will rank pari passu with all other unsecured and unsubordinated obligations of ISP Holdings and will rank pari passu with each other. Immediately |



G-I_EPA0009209

following the issuance of the New Notes, ISP Holdings will not have any indebtedness for money borrowed that ranks pari passu with, or senior to, the Notes or any subordinated obligations. Upon consummation of the Exchange Offers, the only outstanding indebtedness for money borrowed of ISP Holdings will be the 9% Notes and the 9 3/4% Notes.

ISP Holdings is a holding company, and therefore the New Notes will be effectively subordinated to all existing and future liabilities, including indebtedness, of subsidiaries of ISP Holdings. As of September 29, 1996, such subsidiaries had outstanding indebtedness for money borrowed of $361.4 million and other outstanding liabilities reflected on ISP Holdings' consolidated balance sheet, including trade payables and accrued expenses, of $226.1 million, not including $770.3 million of net noncurrent liabilities of discontinued operations. The Indentures governing the Notes (the 'Indentures') limit, among other things, the incurrence of additional Debt (as defined) and the issuance of Preferred Stock (as defined) by ISP Holdings and its subsidiaries. See 'Risk Factors--Holding Company Structure and Related Considerations' and 'Description of the New Notes--Certain Covenants.'

Certain Covenants..... The Indentures limit the Company and its subsidiaries from incurring additional Debt, issuing Preferred Stock and incurring Liens (as defined). The Indentures also contain covenants that, among other things, limit the ability of the Company and its subsidiaries to pay certain dividends or make certain other Restricted Payments (as defined) and Restricted Investments (as defined), engage in transactions with Affiliates (as defined) and agree to certain additional limitations on dividends and other payment restrictions affecting subsidiaries. The Indentures also limit the ability of the Company to consolidate or merge with, or transfer all or substantially all of its assets to, another person. However, all such covenants are subject to a number of important qualifications and exceptions. The Indentures permitted the consummation of the Spin Off Transactions and, as a result of the Spin Off Transactions, G-I Holdings and its subsidiaries, including BMCA, are no longer subsidiaries of ISP Holdings and therefore are not subject to the restrictions contained in the Indentures. See 'Description of the New Notes--Certain Covenants.'

Registration Rights..... ISP Holdings has agreed to use its best efforts to cause to become effective by February 14, 1997 a registration statement with respect to the Exchange Offers. In the event that the Exchange Offers are not completed by April 16, 1997, ISP Holdings will use its best efforts to cause to become effective a shelf registration statement with respect to the resale of the Old Notes and to keep such shelf registration statement effective until three years after the date of original issuance of the Old Notes.

If by April 16, 1997 (i) the Exchange Offer with respect to an issue of Old Notes is not completed and (ii) no shelf registration statement with respect to the resale of such Old Notes is declared effective, additional interest will accrue on such Old Notes from



G-I_EPA0009210

| | |
|---|---|
| | and including April 16, 1997 until but excluding the earlier of (i) the completion of the Exchange Offer and (ii) the effective date of such shelf registration statement. Such additional interest will be payable in cash semiannually in arrears on April 15 and October 15 in the case of the 9% Notes, or February 15 and August 15, in the case of the 9 3/4% Notes, at a rate per annum equal to 0.50% of the aggregate principal amount outstanding of such issue of Old Notes. See 'Description of the New Notes--Principal, Maturity and Interest' and 'The Exchange Offers--Purpose and Effect.' |
| Use of Proceeds..... | There will be no cash proceeds to ISP Holdings from the exchanges pursuant to the Exchange Offers. |
| Risk Factors..... | Prospective holders of the New Notes should carefully consider the specific factors set forth under 'Risk Factors,' as well as the other information and data included in this Prospectus. |



G-I_EPA0009211

## SUMMARY FINANCIAL DATA

Set forth below are summary consolidated financial data of ISP Holdings and its subsidiaries. The results of any interim period are not necessarily indicative of the results to be expected for the full year. The pro forma balance sheet data give effect to the Transactions as if they had been completed as of September 29, 1996. The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 1995, in the case of the year ended December 31, 1995 and the nine months ended October 1, 1995, and as of January 1, 1996, in the case of the nine months ended September 29, 1996. The Exchange Offers will not affect the amount of the Company's long-term debt or stockholder's equity. The pro forma financial information does not purport to project the financial position or the results of operations for any future period or to represent what the financial position or results of operations would have been if the Transactions had been completed at the dates indicated. All financial data relating to ISP Holdings and its subsidiaries contained herein have been prepared to retroactively reflect the formation of ISP Holdings.

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) |
| | (IN MILLIONS, EXCEPT RATIO DATA) | | | | |
| OPERATING DATA: | | | | | |
| Net sales | $548.3 | $600.0 | $689.0 | $530.3 | $544.1 |
| Operating income | 65.1 | 99.2 | 127.1 | 99.2 | 105.7 |
| Interest expense | 24.5 | 28.7 | 33.1 | 24.8 | 21.9 |
| Income from continuing operations before income taxes and extraordinary item | 49.8 | 72.5 | 106.1 | 81.2 | 98.2 |
| Income from continuing operations before extraordinary item | 23.8 | 37.1 | 55.1 | 41.8 | 51.8 |
| Ratio of earnings to fixed charges(1) | 2.83 | 3.32 | 4.06 | 4.08 | 5.23 |

| | | SEPTEMBER 29, 1996 | |
|---|---|---|---|
| | DECEMBER 31, 1995 | ACTUAL (UNAUDITED) | PRO FORMA (GIVING EFFECT TO THE TRANSACTIONS) (UNAUDITED) |
| | (IN MILLIONS) | | |
| BALANCE SHEET DATA: | | | |
| Cash and short-term investments | $ 150.0 | $ 111.7 | $ 156.7 |
| Total working capital | 290.0 | 413.0 | 220.9 |
| Total assets | 1,460.4 | 1,537.3 | 1,361.1 |
| Long-term debt less current maturities(2) | 280.3 | 239.8 | 789.3 |
| Total stockholder's equity (deficit) | (1.7) | 61.7 | 196.4 |

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) |
| | (IN MILLIONS, EXCEPT RATIO DATA) | | | | |
| OTHER DATA: | | | | | |
| Depreciation | $ 28.7 | $ 32.8 | $ 36.0 | $ 26.7 | $ 28.2 |
| Goodwill amortization | 13.9 | 13.4 | 13.2 | 9.9 | 9.9 |
| Capital expenditures and acquisitions | 62.9 | 31.1 | 38.9 | 26.6 | 35.7 |
| Adjusted EBITDA(3) | 167.5 | 225.8 | 245.6 | 190.8 | 219.8 |
| Ratio of Adjusted EBITDA to Adjusted Interest Expense(3) | 2.32 | 2.36 | 2.16 | 2.27 | 2.47 |



G-I_EPA0009212

| | YEAR ENDED DECEMBER 31, 1995 (UNAUDITED) | NINE MONTHS ENDED OCT. 1, 1995 (UNAUDITED) | NINE MONTHS ENDED SEPT. 29, 1996 (UNAUDITED) |
|---|---|---|---|
| | (IN MILLIONS, EXCEPT RATIO DATA) | | |
| PRO FORMA OPERATING DATA(4): | | | |
| Interest Expense | $ 78.8 | $59.1 | $ 56.2 |
| Income from continuing operations | 25.3 | 19.5 | 29.4 |
| Ratio of earnings to fixed charges(1) | 1.79 | 1.80 | 2.16 |
| Ratio of Adjusted EBITDA to Adjusted Interest Expense(3) | 2.32 | 2.37 | 2.83 |

(1) For purposes of these computations, earnings consist of income from continuing operations before income taxes, minority interest and extraordinary items plus fixed charges. Fixed charges consist of interest on indebtedness (including amortization of debt issuance costs) plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(2) See 'Capitalization' and Note 8 to Consolidated Financial Statements.

(3) The Adjusted EBITDA data relate to debt covenants under the Indentures. The calculation of the ratio of Adjusted EBITDA to Adjusted Interest Expense has

been performed in accordance with the definitions in the Indentures. See 'Description of the New Notes.' Accordingly, Adjusted EBITDA is calculated as income from continuing operations before income taxes, plus income (loss) from discontinued operations before income taxes, less extraordinary items, increased by interest expense, depreciation and goodwill amortization and excluding equity in earnings of the GAF-Huls joint venture and Surfactants Partnership income, except to the extent distributed in cash. Adjusted Interest Expense is calculated as total interest expense excluding interest expense on non-recourse debt related to the Surfactants Partnership.

Certain restrictions exist as to the amounts available for making loans, paying dividends and otherwise making distributions to ISP Holdings by ISP, which restrictions are not, in accordance with the Indentures, given effect in the foregoing calculations. See 'Risk Factors--Holding Company Structure and Related Considerations.'

The details of the calculations of Adjusted EBITDA and Adjusted Interest Expense are set forth in the table on the following page.

(4) For an explanation of adjustments to arrive at 'Pro Forma Operating Data,' see 'Notes to Selected Financial Data.'



G-I_EPA0009213

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | | PRO FORMA | |
|---|---|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) | YEAR ENDED DEC. 31, 1995 (UNAUDITED) | NINE MONTHS ENDED OCT. 1, 1995 (UNAUDITED) |
| | | | | | (THOUSANDS) | | |
| Income from continuing operations before income taxes and extraordinary item | $ 49,823 | $ 72,484 | $106,102 | $ 81,205 | $ 98,202 | $ 60,352 | $ 46,892 |
| Add (Deduct): | | | | | | | |
| Loss from discontinued operations before income taxes | (15,649) | (7,430) | (39,642) | (23,826) | (25,414) | -- | -- |
| Less: | | | | | | | |
| Extraordinary items | -- | (1,237) | -- | -- | -- | -- | -- |
| Add Continuing Operations: | | | | | | | |
| Interest expense | 24,500 | 28,676 | 33,091 | 24,821 | 21,879 | 78,841 | 59,134 |
| Depreciation | 28,737 | 32,753 | 35,960 | 26,698 | 28,183 | 35,960 | 26,698 |
| Goodwill amortization | 13,856 | 13,400 | 13,223 | 9,922 | 9,900 | 13,223 | 9,922 |
| Add Discontinued Operations: | | | | | | | |
| Interest expense | 88,636 | 93,968 | 112,460 | 83,160 | 91,056 | -- | -- |
| Depreciation | 14,649 | 16,965 | 20,421 | 14,644 | 18,168 | -- | -- |
| Goodwill amortization | 619 | 1,041 | 1,148 | 783 | 1,154 | -- | -- |
| Less: | | | | | | | |
| Surfactants Partnership income, gross | (42,920) | (51,190) | (32,380) | (24,285) | (24,218) | -- | -- |
| Equity in earnings of joint venture | (2,051) | (2,034) | (5,413) | (2,950) | (4,948) | (5,413) | (2,950) |
| Add: | | | | | | | |
| Distributions from Surfactants Partnership | 1,951 | 24,024 | 295 | 221 | 154 | -- | -- |
| Dividends received from joint venture | 5,377 | 4,363 | 310 | 310 | 5,689 | 310 | 310 |
| Adjusted EBITDA | $167,528 | $225,783 | $245,575 | $ 190,703 | $219,805 | $ 183,273 | $ 140,006 |
| Interest expense-continuing operations | $ 24,500 | $ 28,676 | $ 33,091 | $ 24,821 | $ 21,879 | $ 78,841 | $ 59,134 |
| Interest expense-discontinued operations | 88,636 | 93,968 | 112,460 | 83,160 | 91,056 | -- | -- |
| Total interest expense | 113,136 | 122,644 | 145,551 | 107,981 | 112,935 | 78,841 | 59,134 |
| Less: | | | | | | | |
| Interest expense on non-recourse debt | (40,969) | (27,166) | (32,085) | (24,064) | (24,064) | -- | -- |
| Adjusted Interest Expense | $ 72,167 | $ 95,478 | $113,466 | $ 83,917 | $ 88,871 | $ 78,841 | $ 59,134 |

| | NINE MONTHS ENDED SEPT. 29, 1996 (UNAUDITED) |
|---|---|
| Income from continuing operations before income taxes and extraordinary item | $ 63,889 |
| Add (Deduct): | |
| Loss from discontinued operations before income taxes | -- |
| Less: | |
| Extraordinary items | -- |
| Add Continuing Operations: | |
| Interest expense | 56,192 |
| Depreciation | 28,183 |
| Goodwill amortization | 9,900 |
| Add Discontinued Operations: | |
| Interest expense | -- |
| Depreciation | -- |
| Goodwill amortization | -- |

| | |
|---|---|
| Less: | |
| Surfactants Partnership income, gross | -- |
| Equity in earnings of joint venture | (4,948) |
| Add: | |
| Distributions from Surfactants Partnership | -- |
| Dividends received from joint venture | 5,689 |
| Adjusted EBITDA | $ 158,905 |
| Interest expense-continuing operations | $ 56,192 |
| Interest expense-discontinued operations | -- |
| Total interest expense | 56,192 |
| Less: | |
| Interest expense on non-recourse debt | -- |
| Adjusted Interest Expense | $ 56,192 |

As an indicator of the Company's operating performance, the foregoing supplemental financial information should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

## RISK FACTORS

In addition to the other matters described in this Prospectus, the following risk factors should be carefully considered by each holder of Old Notes before accepting the applicable Exchange Offer, although the risk factors

set forth below are generally applicable to the Old Notes as well as the New Notes.

### SUBSTANTIAL LEVERAGE

The Company has substantial consolidated debt outstanding. At September 29, 1996, the Company had total outstanding consolidated long-term debt of $239.8 million and total common stockholder's equity of $61.7 million. At September 29, 1996, on a pro forma basis, after giving effect to the Transactions, the Company would have had total outstanding consolidated long-term debt of $789.3 million and total common stockholder's equity of $196.4 million. The Exchange Offers will not affect the amount of the Company's long-term debt or shareholder's equity. The substantial leverage of the Company has important consequences for holders of the Notes, including the risk that the Company may not generate sufficient cash flow from operations to pay principal and interest on its indebtedness or to invest in its businesses. While the Company believes, based upon its historical and anticipated performance, that it should be able to satisfy its obligations (including interest on and principal of the Notes) from operations and appropriate financings and otherwise, no assurance to that effect can be given. While other measures to raise cash to satisfy obligations include potential sales of assets or equity, the Company's ability to raise funds by selling either assets or equity or debt securities is dependent on results of operations and market conditions. In addition, if ISP Holdings owns less than 80% of the common stock, par value $.01 per share (the 'ISP Common Stock'), of ISP, payments pursuant to its Tax Sharing Agreement with ISP (the 'ISP Holdings Tax Sharing Agreement') would not be available to ISP Holdings. See 'Tax Sharing Agreement.' In the event that the Company is unable to refinance indebtedness or raise funds through sales of assets or equity or debt securities or otherwise, its ability to pay principal of and interest on the Notes would be adversely affected. See Note 8 of Notes to Consolidated Financial Statements and 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.'

### CHANGE OF CONTROL; ACCELERATION OF DEBT

ISP and its principal domestic subsidiaries are parties to a Credit Agreement, dated July 26, 1996 (the 'ISP Credit Agreement'), with The Chase Manhattan Bank, as Agent, and the banks named therein, that provides for a $400 million unsecured revolving credit facility, $75 million of which may be made available for commercial and standby letters of credit. It is an event of default under the ISP Credit Agreement if at any time, among other things, (i) any person or group of related persons (other than Samuel J. Heyman and his affiliates) shall, on any date, control at least as much of the voting stock of ISP as is owned, directly or indirectly, by Mr. Heyman and his affiliates on such date, (ii) Mr. Heyman and his affiliates, directly or indirectly, shall own less than 25% of the voting stock of ISP outstanding on any date and any other person or group of related persons shall control an amount of voting stock greater than one half of the amount of voting stock of ISP owned by Mr. Heyman and his affiliates on such date, or (iii) Mr. Heyman and his affiliates shall, on any date, cease to own, directly or indirectly, at least 10% of the voting stock of ISP outstanding on such date. If a change of control as described in the ISP Credit Agreement occurs, the revolving credit facilities could be terminated and the loans thereunder accelerated, an event which could also cause the $200 million principal amount of 9% Senior Notes due 1999 of ISP (the 'ISP

Notes') to be accelerated. See 'Capitalization.' Such an event would have a material adverse impact on ISP and ISP Holdings. Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA, beneficially owns approximately 83% of the issued and outstanding ISP Common Stock. Based on publicly available information, ISP Holdings believes that no unrelated third party beneficially owns 5% or more of the issued and outstanding ISP Common Stock.

### HOLDING COMPANY STRUCTURE AND RELATED CONSIDERATIONS

ISP Holdings is a holding company with no business operations of its own. ISP Holdings' principal sources of funds to pay interest and principal with respect to the Notes, to redeem or repurchase Notes upon the occurrence of a Change of Control or otherwise and to pay its other obligations, will be, principally, dividends and loans from ISP, payments pursuant to the ISP Holdings Tax Sharing Agreement, borrowings, refinancing of indebtedness or capital contributions or loans from its affiliates or stockholders. None of the affiliates or



G-I_EPA0009216

stockholders of ISP Holdings, including ISP, will be required to make any capital contributions or other payments to ISP Holdings with respect to ISP Holdings' obligations on the Notes or any of its other obligations, and the obligations of ISP Holdings with respect to the Notes will not be guaranteed by any affiliate of ISP Holdings or any other person. There can be no assurance that any of the foregoing actions could be effected on satisfactory terms, that they would be sufficient to enable ISP Holdings to make any payments in respect of the Notes when required or that any of such actions would be permitted by the terms of debt or other instruments of the affiliates or stockholders of ISP Holdings then in effect.

The ISP Credit Agreement and the indenture governing the ISP Notes contain restrictions on payments, including loans and advances, from ISP and its subsidiaries to its parent corporations. Such restrictions limit the availability of dividends and other payments from ISP, which would provide cash to ISP Holdings to service its obligations, including interest on the Notes. In addition, the ISP Credit Agreement limits ISP from making loans to, or providing letters of credit for the benefit of, affiliates, including ISP Holdings, in excess of $75 million outstanding at any time. As of September 29, 1996, after giving effect to the most restrictive of the aforementioned restrictions, it would have been permissible for ISP to pay dividends in the aggregate amount of $79.9 million, of which $66.4 million would have been available to ISP Holdings, and to make loans to affiliates of $72.7 million. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition' and Note 8 of Notes to Consolidated Financial Statements.

The events that will constitute a Change of Control under the Indentures may also constitute events of default or repurchase right events under certain debt instruments of ISP and its subsidiaries. See '--Change of Control; Acceleration of Debt.' In addition, if ISP Holdings owns less than 80% of ISP Common Stock, payments pursuant to the ISP Holdings Tax Sharing Agreement would

not be available to ISP Holdings. See 'Tax Sharing Agreement.'

Any right of ISP Holdings and its creditors, including holders of the Notes, to participate in the assets of any of ISP Holdings' subsidiaries upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary's creditors, including trade creditors (except to the extent ISP Holdings may itself be a creditor of such subsidiary). Accordingly, the Notes will be effectively subordinated to all liabilities of ISP Holdings' subsidiaries, including trade payables.

**ACETYLENE SUPPLY**

The primary raw material used by ISP in the manufacture of its specialty chemicals is acetylene. Acetylene is available from a limited number of suppliers and, because of its instability, can only be transported short distances. Acetylene is obtained by ISP for domestic use from two unaffiliated suppliers, each using a different production technology, pursuant to long-term supply contracts. In the event of a substantial interruption in the supply of acetylene from current sources, no assurances can be made that ISP would be able to obtain as much acetylene from other sources as would be necessary to meet its supply requirements. A substantial interruption of ISP's supply of acetylene would have a material adverse effect on the business and operations of the Company as approximately 85-90% of the sales of ISP's specialty chemicals are derived from acetylene which is either purchased in the United States as a raw material or is purchased in the form of butanediol from GAF-Huls Chemie GmbH, a joint venture between Huls AG and ISP ('GAF-Huls'). ISP has a long-standing agreement with GAF-Huls to import butanediol into the United States for use as a feedstock for the production of ISP's solvents and polymers. ISP has not experienced an interruption of its acetylene supply that has had a material adverse effect on its sales of specialty chemicals. See 'Business--ISP--Specialty Chemicals--Raw Materials.'

**FOREIGN CURRENCY FLUCTUATIONS**

Approximately 50% of the Company's net sales and 54% of its operating income in 1995 was attributable to its international operations. Fluctuations in the value of foreign currencies may cause the Company's U.S. dollar denominated sales and profits to decrease or increase without relation to the actual sales or profits of its international operations. For a discussion of the Company's international operations, see 'Business--ISP--Specialty Chemicals--International Operations,' and for a discussion of the Company's policy to manage its foreign currency exposure, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.'



G-I_EPA0009217

**SALES TO SIGNIFICANT CUSTOMERS**

In 1995, BMCA purchased approximately $45.7 million of mineral products from ISP, representing approximately 7% of ISP's total net sales and approximately 53% of ISP's net sales of mineral products. No other customer

accounted for more than 5% of ISP's total net sales in 1995. BMCA purchases from ISP all of its colored roofing granule requirements (except for the requirements of BMCA's California roofing plant) under a requirements contract which was renewed for 1997 and is subject to annual renewal unless terminated by ISP or BMCA. In December 1995, USI commenced purchasing from ISP substantially all of its requirements for colored roofing granules (except for the requirements of USI's Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. During the period in 1995 after USI's acquisition by an affiliate of G-I Holdings, USI purchased approximately $0.1 million of mineral products from ISP. The consummation of the Spin Off Transactions, which resulted in BMCA and USI no longer being subsidiaries of ISP Holdings, did not affect the terms of such requirements contracts. A substantial decrease in business from BMCA would have an adverse impact on ISP's financial condition and results of operations.

**REGULATION; ENVIRONMENTAL CONSIDERATIONS**

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters ('Environmental Claims') under the Comprehensive Environmental Response Compensation and Liability Act ('CERCLA') and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites, a number of which are in the early stages or have been dormant for protracted periods.

For additional information relating to environmental litigation involving the Company, see 'Business--Environmental Litigation.'

The enactment by federal, state or local governments of new laws or regulations or a change in the interpretation of existing laws or regulations relating to environmental matters could increase the cost of producing the products manufactured by the Company or otherwise adversely affect the demand for its products and may require additional expenditures. See 'Business--Environmental Compliance.'

**CONTROLLING STOCKHOLDER**

ISP Holdings is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA. Accordingly, Mr. Heyman has the ability to elect the entire Board of Directors of each of such companies and determine the outcome of any other matter submitted to their respective stockholders for approval. In particular, subject to the terms of the Indentures, Mr. Heyman has the ability to effect certain corporate transactions, including mergers, consolidations and the sale of all or substantially all of ISP Holdings' or its subsidiaries' assets. See 'Security Ownership of Certain Beneficial Owners and Management' and 'Risk Factors--Change of Control; Acceleration of Debt.'

**ADDITIONAL RISKS RELATED TO THE SPIN OFF TRANSACTIONS**

If a court in a lawsuit by an unpaid creditor or a representative of creditors, such as a trustee in bankruptcy, were to find that prior to or immediately after the Spin Off Transactions were effected, GAF, ISP Holdings, G Industries Corp. ('G Industries'), a wholly owned subsidiary of G-I Holdings, GCC or G-I Holdings was insolvent, engaged in a business or transaction for

which such entity's remaining assets constituted unreasonably small capital, intended to incur, or believed it would incur, debts beyond its ability to pay as such debts matured or if such company was found to be at the time of the consummation of the Spin Off Transactions, a defendant in civil actions (including those asserting asbestos-related claims) that resulted in judgments which such company was or became unable to satisfy, such court may be asked to void the Spin Off Transactions (in whole or in part) as a fraudulent conveyance and require that, among other things, the stockholders that received a distribution return the distribution, including the common stock of ISP Holdings (in whole or in part), to the distributing company. In such event, the assets of GAF distributed in the Spin Off Transactions, including the capital stock of ISP Holdings and ISP, could be subject to claims of such creditors, including asbestos claimants. The measure of insolvency for purposes of the foregoing will vary depending upon the jurisdiction whose law is being applied. Generally, however, GAF, ISP Holdings, G Industries, GCC or G-I Holdings would be considered insolvent if



G-I_EPA0009218

the fair value of their respective assets were less than the amount of their respective liabilities or if they incurred debt beyond their ability to repay such debt as it matures. In addition, under Section 170 of the Delaware General Corporation Law (which is applicable to all corporations that made a distribution as part of the Spin Off Transactions) a corporation generally may make distributions to its stockholders only out of its surplus (net assets minus capital) and not out of capital and in the event that all or part of the Spin Off Transactions were found unlawful under Section 170, such distributions may be recaptured for the benefit of creditors.

As a condition to the consummation of the Spin Off Transactions, the Board of Directors of GAF, ISP Holdings, GCC, G-I Holdings and G Industries received a satisfactory opinion from HLHZ regarding the solvency of such companies and the satisfaction of certain standards regarding the permissibility of certain distributions contemplated by the Spin Off Transactions under Section 170 of the Delaware General Corporation Law. HLHZ rendered such an opinion to the Boards of Directors of each of such companies on the date of the distribution of the capital stock of ISP Holdings to GAF's stockholders. See 'The Spin Off Transactions.' There is no certainty, however, that a court would reach the same conclusions set forth in such opinion in determining whether GAF, ISP Holdings, GCC, G-I Holdings or G Industries was insolvent at the time of, or after giving effect to, the Spin Off Transactions. See 'The Spin Off Transactions' for a description of the reviews, analyses and inquiries made by HLHZ and the financial projections, forecasts and other representations provided by GAF and relied upon by HLHZ in rendering such opinion.

In November 1996, GAF received the IRS Ruling to the effect that the Spin Off Transactions will not result in recognition of income by any members of the GAF Tax Group. The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request therefor as to certain facts and circumstances with respect to the Spin Off Transactions. If the Spin Off Transactions did not qualify as 'tax-free spin offs' under the Internal Revenue Code, the GAF Tax Group would recognize gain, but not loss, as if the common

stock of ISP Holdings, G-I Holdings and ISP were sold at the fair market value thereof. The gain recognized will be an amount equal to the fair market value of the ISP Holdings common stock, G-I Holdings common stock and ISP Common Stock in excess of the adjusted tax basis in such shares of common stock as determined immediately prior to the Spin Off Transactions. The tax on the income would be payable by GAF. To the extent not paid by GAF, each member of the GAF Tax Group as it existed prior to the Spin Off Transactions (including ISP Holdings, ISP and their respective subsidiaries) would be jointly and severally liable for such tax liability. See 'Certain Relationships--Mutual Indemnification.'

As a matter of federal tax law, ISP Holdings, ISP and their subsidiaries would be jointly and severally liable for any tax liability for any year in which they were members of the GAF Tax Group. GAF, G-I Holdings, G Industries and GCC have agreed to indemnify ISP Holdings, ISP and their subsidiaries for all tax liabilities of the indemnifying companies, including any liability with respect to the Spin Off Transactions. See 'Tax Sharing Agreement.'

**ABSENCE OF A PUBLIC MARKET**

Prior to the exchange of the New Notes offered hereby, there has been no public market for any of the Notes, and there can be no assurance as to (i) the liquidity of any such market that may develop, (ii) the ability of the holders of New Notes to sell their New Notes or (iii) the price at which the holders of New Notes would be able to sell their New Notes. If such a market were to exist, the New Notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes, and the financial performance of ISP Holdings and its subsidiaries. ISP Holdings does not intend to list the New 9% Notes or the New 9 3/4% Notes on any securities exchange or to seek approval for quotations through any automated quotation system and no active market for the New Notes is currently anticipated. There is no assurance as to the liquidity of the trading market for the New Notes. Bear, Stearns & Co. Inc. has advised ISP Holdings that it currently anticipates making a secondary market for the New Notes, but is not obligated to do so and any such market making, if commenced, may be discontinued at any time without notice.



G-I_EPA0009219

**EXCHANGE OFFER PROCEDURES**

Issuance of the New 9% Notes in exchange for Old 9% Notes and New 9 3/4% Notes in exchange for Old 9 3/4% Notes pursuant to the Exchange Offers will be made only after a timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Old Notes tendered for exchange will be determined by ISP Holdings in its sole discretion, which determination will be final and binding on all parties. Therefore, holders of each issue of Old Notes desiring to tender such Old Notes in exchange for the applicable issue of New Notes should allow sufficient time to ensure timely delivery. Old Notes that are not

tendered or are tendered but not accepted will, following the consummation of the Exchange Offers, continue to be subject to the existing restrictions upon transfer thereof and ISP Holdings will have no further obligation to provide for the registration under the Securities Act of such Old Notes except as described herein. See 'The Exchange Offers--Purpose and Effect.' In addition, any holder of Old Notes who tenders in the applicable Exchange Offer for the purpose of participating in a distribution of the applicable New Notes will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See 'Plan of Distribution.' To the extent that Old Notes are tendered and accepted in either Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. ISP Holdings does not intend to extend either Exchange Offer although it reserves the right to do so. See 'The Exchange Offers.'



G-I_EPA0009220

## CAPITALIZATION

The following table sets forth the consolidated capitalization of ISP Holdings as of September 29, 1996 and as adjusted on a pro forma basis to give effect to the Transactions. This table should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Prospectus.

| | AS OF SEPTEMBER 29, 1996 | |
|---|---|---|
| | ACTUAL | PRO FORMA(1) |
| | (THOUSANDS) | |
| Short-term Debt and current maturities of Long-term Debt: | | |
| Current maturities of long-term debt | $ 361 | $ 361 |
| Loan payable to affiliate | 17,797 | -- |
| Short-term debt | 22,518 | 22,518 |
| Total | $ 40,676 | $ 22,879 |
| Long-term Debt (excluding current maturities): (2) | | |
| 9% Senior Notes due 2003 | $ -- | $324,093 |
| 9 3/4% Senior Notes due 2002 | -- | 199,871 |
| 9% ISP Senior Notes Due 1999 | 200,000 | 200,000 |
| Borrowings under revolving credit facilities | -- | 25,577(3) |
| Obligations on mortgaged properties | 38,125 | 38,125 |
| Obligations under capital leases | 1,635 | 1,635 |
| Long-term note payable to affiliate | 80,977 | -- |
| Total Long-term Debt | $ 320,737 | $789,301 |
| Shareholder's Equity (Deficit): | | |
| Capital stock and additional paid-in capital | $ 118,516 | $244,780 |
| Excess of purchase price over adjusted historical cost of the predecessor company shares owned by GAF stockholders | (72,605) | (63,483) |
| Retained earnings | 1,924 | 1,924 |
| Cumulative translation adjustment and other | 13,818 | 13,211 |
| Total Shareholder's Equity | $ 61,653 | $196,432 |
| Total Capitalization | $ 382,390 | $985,733 |

(1) For an explanation of the assumptions used to arrive at such pro forma information, see 'Notes to Selected Financial Data.'

(2) For a description of long-term debt, see Note 8 to Consolidated Financial Statements.

(3) Reflects borrowings of $25.6 million under the ISP Credit Agreement used to repay loans owed by ISP to G-I Holdings as of September 29, 1996.



G-I_EPA0009221

## SELECTED FINANCIAL DATA

Set forth below are selected consolidated financial data of the Company. A predecessor company to GAF was acquired on March 29, 1989 in a management-led buyout (the 'GAF Acquisition'). Accordingly, a step up in asset values to fair value was required by the purchase method of accounting. As a result, financial data for periods subsequent to the GAF Acquisition reflect non-cash charges consisting of goodwill amortization and depreciation of increased asset values. Such non-cash charges amounted to $22, $22, $22.6, $22.6, $22.5, $16.8 and $16.8 million for the years 1991, 1992, 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively. The results of any interim period are not necessarily indicative of the results to be expected for the full year.

The pro forma balance sheet data give effect to the Transactions as if they had been completed as of September 29, 1996. The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 1995, in the case of the year ended December 31, 1995 and the nine months ended October 1, 1995, and as of January 1, 1996, in the case of the nine months ended September 29, 1996. The Exchange Offers will not affect the amount of the

Company's long-term debt or stockholder's equity. The pro forma financial information does not purport to project the financial position or the results of operations for any future period or to represent what the financial position or results of operations would have been if the Transactions had been completed at the dates indicated. All financial data relating to ISP Holdings and its subsidiaries contained herein have been prepared to retroactively reflect the formation of ISP Holdings. See Notes 14 and 16 to Consolidated Financial Statements.

| | YEAR ENDED DECEMBER 31, | | | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) |
| | (IN MILLIONS, EXCEPT RATIO DATA) | | | | | | |
| Operating Data: | | | | | | | |
| Net sales | $525.8 | $570.8 | $548.3 | $600.0 | $689.0 | $ 530.3 | $ 544.1 |
| Operating income | 121.9 | 107.7 | 65.1 | 99.2 | 127.1 | 99.2 | 105.7 |
| Interest expense | 52.7 | 30.6 | 24.5 | 28.7 | 33.1 | 24.8 | 21.9 |
| Income from continuing operations before income taxes and extraordinary items | 75.7 | 85.8 | 49.8 | 72.5 | 106.1 | 81.2 | 98.2 |
| Income from continuing operations before extraordinary items and cumulative effect of accounting change | 46.2 | 47.5 | 23.8 | 37.1 | 55.1 | 41.8 | 51.8 |
| Ratio of earnings to fixed charges(1) | 2.48 | 3.78 | 2.83 | 3.32 | 4.06 | 4.08 | 5.23 |

| | DECEMBER 31, | | | | | SEPTEMBER 29, 1996 | |
|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | ACTUAL (UNAUDITED) | PRO FORMA (GIVING EFFECT TO THE TRANSACTIONS) (UNAUDITED) |
| | (IN MILLIONS, EXCEPT RATIO DATA) | | | | | | |
| Balance Sheet Data: | | | | | | | |
| Cash and short-term investments | $ 10.1 | $ 81.7 | $ 82.8 | $ 77.4 | $ 150.0 | $ 111.7 | $ 156.7 |
| Total working capital | 178.6 | 257.1 | 143.9 | 228.0 | 290.0 | 413.0 | 220.9 |
| Total assets | 1,235.0 | 1,348.2 | 1,309.0 | 1,357.5 | 1,460.4 | 1,537.3 | 1,361.1 |
| Long-term debt less current maturities(2) | 131.4 | 493.0 | 367.7 | 285.4 | 280.3 | 239.8 | 789.3 |
| Stockholder's equity (deficit) | 156.2 | (42.6) | (42.6) | (15.8) | (1.7) | 61.7 | 196.4 |



G-I_EPA0009222

| | YEAR ENDED DECEMBER 31, | | | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) |
| | (IN MILLIONS, EXCEPT RATIO DATA) | | | | | | |
| Other Data: | | | | | | | |
| Depreciation | $ 23.2 | $ 25.6 | $ 28.7 | $ 32.8 | $ 36.0 | $ 26.7 | $ 28.2 |
| Goodwill amortization | 13.8 | 13.7 | 13.9 | 13.4 | 13.2 | 9.9 | 9.9 |
| Capital expenditures and acquisitions | 34.4 | 70.5 | 62.9 | 31.1 | 38.9 | 26.6 | 35.7 |
| Adjusted EBITDA(3) | 207.3 | 207.2 | 167.5 | 225.8 | 245.6 | 190.7 | 219.8 |
| Ratio of Adjusted EBITDA to Adjusted Interest Expense(3) | 2.14 | 2.95 | 2.32 | 2.36 | 2.16 | 2.27 | 2.47 |

| | YEAR ENDED DECEMBER 31, 1995 (UNAUDITED) | NINE MONTHS ENDED OCT. 1, 1995 (UNAUDITED) | NINE MONTHS ENDED SEPT. 29, 1996 (UNAUDITED) |
|---|---|---|---|
| | (IN MILLIONS, EXCEPT RATIO DATA) | | |
| Pro Forma Operating Data(4): | | | |
| Interest expense | $78.8 | $59.1 | $56.2 |
| Income from continuing operations | 25.3 | 19.5 | 29.4 |
| Ratio of earnings to fixed charges(1) | 1.79 | 1.80 | 2.16 |
| Ratio of Adjusted EBITDA to Adjusted Interest Expense(3) | 2.32 | 2.37 | 2.83 |

(1) For purposes of these computations, earning consist of income (loss) from continuing operations before income taxes, minority interest, extraordinary items and cumulative effect of accounting change, plus fixed charges. Fixed charges consist of interest on indebtedness (including amortization of debt issuance costs) plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(2) See 'Capitalization' and Note 8 to Consolidated Financial Statements.

(3) The Adjusted EBITDA data relates to debt covenants under the Indentures. The calculation of the ratio of Adjusted EBITDA to Adjusted Interest Expense has been performed in accordance with the definitions in the Indentures. See 'Description of the New Notes.' Accordingly, Adjusted EBITDA is calculated as income from continuing operations before income taxes, plus income (loss) from discontinued operations before income taxes, less extraordinary items,

increased by interest expense, depreciation and goodwill amortization and excluding equity in earnings of the GAF-Huls joint venture and Surfactants Partnership income except to the extent distributed in cash. Adjusted Interest Expense is calculated as total interest expense excluding interest expense on non-recourse debt related to the Surfactants Partnership. Certain restrictions exist as to the amounts available for making loans, paying dividends and otherwise making distributions to ISP Holdings. See 'Risk Factors--Holding Company Structure and Related Considerations.' See 'Summary Financial Data' for the details of the calculations of Adjusted EBITDA and Adjusted Interest Expense. As an indicator of the Company's operating performance, such supplemental financial information should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

(4) The Pro Forma Operating Data have been prepared assuming that the ISP Holdings Transactions and the Spin Off Transactions were consummated as of the beginning of the respective periods presented. The effect of such assumptions was to decrease the Company's pro forma income from continuing operations before income taxes by $45.7, $34.3 and $34.3 million for the year 1995 and the first nine months of 1995 and 1996, respectively. As a result, the Company's pro forma provision for income taxes decreased by $16, $12 and $12 million for the year 1995 and the first nine months of 1995 and 1996, respectively, based on an effective marginal income tax rate of 35%.



G-I_EPA0009223

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

ISP Holdings is currently a wholly owned subsidiary of GAF. Subject to the satisfaction of certain conditions, GAF intends to effect the Spin Off Transactions that will result in, among other things, the capital stock of ISP Holdings (whose principal asset will be approximately 83% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP will no longer be direct or indirect subsidiaries of GAF, and the Building Materials Business and the assets and liabilities of GCC will no longer be assets and liabilities of ISP Holdings. See 'The Spin Off Transactions.'

Accordingly, the Building Materials Business and the assets and liabilities of GCC, as well as the assets and liabilities of GAF Broadcasting Company, Inc. (which was sold in August 1996) have been classified as 'Discontinued Operations' within the financial statements for all periods presented. The following discussion is on a continuing operations basis.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements which appear elsewhere in this Prospectus. As used herein, the term 'Company' refers to ISP Holdings and its consolidated subsidiaries. All financial data contained herein have been prepared on a basis which retroactively reflects the formation of ISP Holdings as discussed in the consolidated financial statements.

Set forth below are net sales and operating income for each of ISP Holdings' business segments related to continuing operations for the years 1993, 1994 and 1995 and the first nine months of 1995 and 1996.

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCT. 1, 1995 (UNAUDITED) | SEPT. 29, 1996 (UNAUDITED) |
| | (IN MILLIONS) | | | | |
| Net Sales: | | | | | |
| Specialty Chemicals | $434.5 | $482.4 | $556.9 | $432.8 | $445.4 |
| Mineral Products | 81.3 | 81.1 | 86.1 | 67.3 | 65.5 |
| Other | 32.5 | 36.5 | 46.0 | 30.2 | 33.2 |
| Total | $548.3 | $600.0 | $689.0 | $530.3 | $544.1 |
| Operating Income: | | | | | |
| Specialty Chemicals | $ 59.8 | $ 79.9 | $105.5 | $ 81.4 | $ 91.1 |
| Mineral Products | 16.9 | 14.6 | 16.3 | 14.0 | 12.9 |
| Other | 2.2 | 4.7 | 5.3 | 3.8 | 1.7 |
| Provision for restructuring | (13.8) | -- | -- | -- | -- |
| Total | $ 65.1 | $ 99.2 | $127.1 | $ 99.2 | $105.7 |

### RESULTS OF OPERATIONS

### FIRST NINE MONTHS OF 1996 COMPARED WITH FIRST NINE MONTHS OF 1995

For the first nine months of 1996, the Company recorded income from continuing operations of $51.8 million compared with $41.8 million for the first nine months of 1995. The 24% increase in income from continuing operations was the result of higher operating and other income, as well as reduced interest expense and higher equity income from GAF-Huls.

Net sales for the first nine months of 1996 were $544.1 million versus $530.3 million for the same period in 1995. The sales growth was attributable to increased sales of specialty chemicals (up $12.6 million), primarily reflecting increased sales volumes and higher sales prices, and also reflected higher filter products sales (up $2.7 million) due to increased sales volumes. The increase in sales resulted from higher sales in the U.S., Europe and the Western Hemisphere, partially offset by lower sales in the Asia-Pacific region and the unfavorable effect ($6.7 million) of the stronger U.S. dollar relative to other currencies in certain areas of the world. Sales for the mineral products business decreased by $1.8 million (3%) due to lower sales volumes resulting from a lost customer and adverse winter weather conditions in the first quarter

of 1996.



G-I_EPA0009224

Operating income for the first nine months of 1996 increased by 7% to $105.7 million from last year's $99.2 million. The increase in operating income was due to higher specialty chemicals operating income (up $9.7 million or 12%), partially offset by lower mineral and filter products results (down $1.1 million and $2.4 million, respectively). The higher specialty chemicals operating income resulted primarily from the higher sales levels and improved gross margins (up 2.9 percentage points) due to improved pricing and continued benefits from the Company's re-engineering program.

Interest expense was $21.9 million for the first nine months of 1996, a 12% decrease compared with $24.8 million for the same period last year. The decrease reflected lower interest rates and lower average borrowings. Other income, net was $9.4 million for the first nine months of 1996 compared with $3.9 million last year, the increase resulting primarily from higher investment income and gains associated with the Company's program to hedge certain of its foreign currency exposures.

**1995 COMPARED WITH 1994**

The Company recorded income from continuing operations before extraordinary item in 1995 of $55.1 million compared with $37.1 million in 1994. The 48% improvement in results for 1995 reflected higher operating income (up $27.9 million), $3.4 million higher equity income from GAF-Huls, and a $6.8 million increase in other income, partially offset by a $4.4 million increase in interest expense.

Sales for 1995 were $689 million compared with $600 million for 1994. The 15% sales growth was attributable to increased sales in all product lines, particularly specialty chemicals (up $74.5 million), and reflected double-digit sales increases in all regions of the world. The sales increase was primarily the result of increased sales volumes in all product lines and higher selling prices, and, to a lesser extent, the favorable effect ($14.3 million) of the weaker U.S. dollar relative to other currencies in certain areas of the world.

Operating income for 1995 increased by 28% to $127.1 million compared with $99.2 million for 1994. The increase was attributable to higher sales in all product lines and improved gross margins (up 1.1 percentage points) due primarily to higher selling prices, partially offset by higher manufacturing costs. Operating income for the specialty chemicals business increased by $25.6 million (32%), reflecting the above factors. Selling, general and administrative expenses for 1995 increased $14.4 million (12%) over 1994 due to operating expenses associated with higher sales levels; however, such expenses as a percent of sales have decreased from 23% in 1993 to 19.9% and 19.5% in 1994 and 1995, respectively, primarily as a result of the Company's cost reduction and productivity programs announced in 1993. The Company's operating margin improved from 16.5% in 1994 to 18.4% in 1995.

Of the $27.9 million increase in operating income in 1995, domestic

operating income increased by $16.6 million, due primarily to higher selling prices and increased volumes for specialty chemicals, as well as improved gross margins, operating income for the European region increased by $12.2 million as a result of higher sales levels and improved gross margins, operating income for the Asia-Pacific region increased by $.8 million with higher sales volumes partially offset by increased expenses associated with the Company's geographic expansion program, and operating income from other foreign operations declined by $1.7 million as higher sales were offset by additional expenses attributable to the geographic expansion program and a nonrecurring 1994 benefit resulting from the Brazilian government's economic program.

Interest expense for 1995 was $33.1 million, an increase of $4.4 million from $28.7 million in 1994. The increase was primarily the result of higher interest rates.

Other income (expense), net, comprises net investment income, foreign exchange gains/losses resulting from the revaluation of foreign currency-denominated accounts receivable and payable as a result of changes in exchange rates, and other nonoperating and nonrecurring items of income and expense. Other income was $6.7 million in 1995 compared with other expense of $.1 million in 1994. The increase in 1995 was due principally to higher net investment income (up $10.5 million).



G-I_EPA0009225

**1994 COMPARED WITH 1993**

The Company recorded income from continuing operations before extraordinary item in 1994 of $37.1 million compared with $23.8 million in 1993. The 56% improvement in results for 1994 reflected higher operating income (up $34.1 million) partially offset by a $4.2 million increase in interest expense and a reduction of $7.3 million in other income (expense), net. Income from continuing operations in 1993 reflected a retroactive income tax provision of $2.9 million, representing the effect of a 1% increase in the Federal corporate income tax rate on the Company's net deferred tax liability as of December 31, 1992, and a pre-tax provision of $13.8 million, primarily related to the Company's cost reduction program.

Sales for 1994 were $600 million, a 9% increase compared with $548.3 million for 1993. The sales growth reflected increased sales in most product lines, primarily specialty chemicals (up 11%) and filters (up 12%), in all regions of the world, mainly due to higher volumes and, to a lesser extent, a favorable foreign exchange effect of $4.1 million.

Operating income for 1994 was $99.2 million compared with $65.1 million for 1993. The improvement was attributable to increased sales volumes and lower selling, general and administrative expenses, and the absence of the $13.8 million restructuring charge mentioned above, partially offset by lower gross profit margins due mainly to higher manufacturing costs for specialty chemicals (up approximately $8 million primarily as a result of raw material cost increases), and lower operating income from mineral products. Selling, general and administrative expenses for 1994 were $119.7 million, down 5% from 1993,

primarily as a result of the Company's cost reduction and productivity programs. The $13.8 million restructuring charge in 1993 was established to cover costs associated with severance and related benefits, professional fees, relocations, and discontinuation of products. Management believes that the Company's cost reduction and productivity programs have resulted in significantly reduced operating expenses. The remaining liability as of December 31, 1995 was approximately $4.7 million and is anticipated to be expended over the next several years.

Of the $34.1 million increase in operating income in 1994, domestic operating income increased by $22 million due primarily to higher export sales to all regions, lower operating expenses and the absence of the prior year's restructuring charge, operating income from Europe increased by $7.5 million, and operating income from other foreign operations increased by $4.6 million, mainly in the Asia-Pacific region, in each case after giving effect to a portion of the $13.8 million restructuring charge in 1993. See Note 12 to Consolidated Financial Statements.

Interest expense for 1994 was $28.7 million, an increase of $4.2 millon from $24.5 million in 1993. The increase was due primarily to higher interest rates and, to a lesser extent, higher outstanding borrowings.

Other expense was $.1 million in 1994 compared with other income of $7.2 million in 1993. The decrease in 1994 was due primarily to lower net investment income (down $6.7 million). See Note 1 to Consolidated Financial Statements.

**LIQUIDITY AND FINANCIAL CONDITION**

ISP Holdings is essentially a holding company without independent businesses or operations and, as such, is dependent upon the cash flow of its approximately 83%-owned subsidiary, ISP, in order to satisfy its obligations. See Note 16 to Consolidated Financial Statements for a discussion of a subsequent event related to the debt obligations of ISP Holdings. ISP Holdings expects to satisfy such obligations from, among other things, refinancings of debt, dividends and loans from ISP, as to which there are restrictions under the ISP Credit Agreement (defined below) and the indenture relating to the ISP Notes, payments pursuant to the Tax Sharing Agreement between ISP Holdings and ISP and debt financings. As of September 29, 1996, after giving effect to the most restrictive of the aforementioned restrictions, it would have been permissible for ISP to pay dividends in the aggregate amount of $79.9 million, of which $66.4 million would have been available to ISP Holdings, and to make loans to affiliates of $72.7 million.

In addition, as ISP's stock price appreciates, ISP Holdings may at some future time consider selling shares of ISP Common Stock, although it has no current intention to do so. If ISP Holdings were to own less than 80% of the outstanding ISP Common Stock, payments pursuant to the ISP Holdings Tax Sharing Agreement would not be available to it.



G-I_EPA0009226

During the first nine months of 1996, the Company on a consolidated basis

generated cash from continuing operations of $76.5 million, used $83.0 million of cash for discontinued operations, invested $35.7 million in capital expenditures and an acquisition, generated $24.3 million from net sales of available-for-sale and held-to-maturity securities, and generated $89.5 million in cash from the sale of WAXQ-FM (a discontinued operation), for a net cash inflow of $71.0 million before financing activities. Working capital increased by $3.0 million, primarily reflecting a $20.6 million increase in accounts receivable due to higher sales in September 1996 versus December 1995, offset by a $9.7 million reduction in inventories and an $8.8 million increase in accounts payable and accrued liabilities. Cash from operations in the first nine months of 1996 included $5.7 million in dividends received from GAF-Huls.

Net cash used in financing activities totaled $89.8 million for the first nine months of 1996, primarily reflecting a $40.8 million reduction in borrowings under the Company's bank credit agreements, a $19.1 million decrease in loans from an affiliate, a $14 million decrease in short-term borrowings and dividends and net distributions of $6.4 million to the Company's parent company, GAF. Financing activities also reflected $10.4 million in repurchases by ISP of its common stock. ISP has adopted a program to repurchase up to a total of 4,500,000 shares of its common stock from time to time in the open market. As of September 29, 1996, 3,099,300 shares had been repurchased pursuant to the program.

As a result of the foregoing factors, cash and cash equivalents decreased by $18.2 million during the first nine months of 1996 to $13 million (excluding $94.6 million of available-for-sale securities and $4.1 million of held-to-maturity securities).

During 1995, the Company on a consolidated basis generated cash from operations of $133.1 million, including cash from continuing operations of $105.0 million, and reinvested $139.3 million for capital programs and net purchases of available-for-sale and held-to-maturity securities, for a net cash outflow of $6.1 million before financing activities. Cash from operations in 1995 included a $7.9 million reduction in the cash surrender value of Company-owned insurance policies. Cash invested in additional working capital totaled $5.1 million during 1995. This principally reflected a $10.9 million increase in receivables due to higher sales levels, partially offset by $2.5 million higher payables and accrued liabilities.

Net cash used in financing activities in 1995 totaled $25.5 million, primarily reflecting $28.2 million in dividends and net distributions paid to GAF, principally to fund the redemption by GAF of its outstanding preferred stock, $16.6 million in repurchases by ISP of its common stock pursuant to its share repurchase program, a $15.2 million decrease in loans from an affiliate, and $5.6 million in repayments of long-term debt. The above items of cash utilization were partially offset by $36.2 million of additional short-term borrowings and $3.8 million from the sale of receivables.

As a result of the foregoing factors, cash and cash equivalents decreased by $31.6 million during 1995 to $31.3 million (excluding $114.1 million of available-for-sale securities and $4.6 million of held-to-maturity securities).

As of September 29, 1996, the Company's scheduled repayments of long-term debt for the twelve months ending September 30, 1997 aggregated $.4 million.

On July 26, 1996, ISP entered into a new five-year revolving credit facility (the 'ISP Credit Agreement') with a group of banks, which provides for loans of up to $400 million and letters of credit of up to $75 million (see Note 8 to Consolidated Financial Statements).

Borrowings by ISP Holdings and ISP are subject to the application of certain financial covenants contained in the Indentures and the ISP Credit Agreement. As of September 29, 1996, on a pro forma basis after giving effect to the ISP Holdings Transaction, ISP Holdings and ISP were in compliance with such covenants.

The Company's investment strategy is to seek to earn returns in excess of money market rates on its available cash while minimizing market risks. There can be no assurance that the Company will be successful in implementing such strategy. The Company invests primarily in hedged utility programs, international and domestic convertible arbitrage, and securities of companies involved in acquisition or reorganization transactions, including at times, common stock short positions which are offsets against long positions in securities which are expected, under certain circumstances, to be exchanged or converted into the short positions. With respect to its equity positions, the Company is exposed to the risk of market loss. See Note 1 to Consolidated Financial Statements.



G-I_EPA0009227

ISP intends to acquire or develop a European manufacturing facility to meet the needs of ISP's European business. While the originally anticipated commencement date of the European project has been deferred because ISP has been able to implement cost-efficient capacity expansions at its existing manufacturing facilities, based upon its current analysis of additional opportunities for expansion of existing capacity, end-use demand, and other relevant factors, ISP intends to proceed with the project by the end of 1997. Costs capitalized to date related to this project are included in 'Construction in progress.' ISP anticipates utilizing internally generated funds, existing credit facilities and/or independent financing to fund the cost of the project.

Fluctuations in the value of foreign currencies may cause U.S. dollar translated amounts to change in comparison with previous periods and, accordingly, the Company cannot estimate in any meaningful way the possible effect of such fluctuations upon future income. The Company has a policy to manage these exposures to minimize the effects of fluctuations in foreign currencies, including entering into foreign exchange contracts in order to hedge its exposure. In respect of its foreign exchange contracts, the Company recognized a gain of $5.1 million during the first nine months of 1996 and losses of $7.4 million and $6.6 million during the years ended December 31, 1995 and 1994, respectively. At September 29, 1996, the equivalent U.S. dollar fair value of outstanding forward foreign exchange contracts was $175.3 million, and the amount of deferred gains and losses on such instruments was a net gain of $2.3 million. The equivalent U.S. dollar fair value of foreign exchange contracts outstanding as of September 29, 1996 as a hedge of non-local currency loans was $28.6 million, representing 100% of the Company's foreign currency

exposure with respect to such loans. See Note 1 to Consolidated Financial Statements.

The objectives of the Company in utilizing interest rate swap agreements are to lower funding costs, diversify sources of funding and manage interest rate exposure. As of September 29, 1996, the total notional amount of interest rate swaps outstanding for continuing operations was $200 million and the amount of underlying debt relating to such swaps was $200 million. By utilizing interest rate swap agreements, the Company reduced its interest expense related to continuing operations by $2.3 million in the first nine months of 1996, $1.8 million in 1995 and $5.3 million in 1994. See Note 8 to Consolidated Financial Statements.

The Company does not believe that inflation has had a material effect on its results of operations during the past three years and the nine months ended September 29, 1996. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, relating to accounting for impairment of long-lived assets, which is required to be adopted in 1996. The Company does not anticipate that the implementation of SFAS No. 121 will have a material effect on the Company's results of operations or financial position.

ISP has received conditional site designation from the New Jersey Hazardous Waste Facilities Siting Commission for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property, which designation has been appealed to the courts by the City of Linden. ISP estimates that the cost of constructing the facility will be approximately $100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing therefor. Accordingly, ISP would not expect such facility to impact materially its liquidity or capital resources.

The Company, together with other companies, is a party to a variety of administrative proceedings and lawsuits involving environmental matters. See 'Business--Environmental Litigation' for further discussion, which is incorporated herein by reference.



G-I_EPA0009228

## THE SPIN OFF TRANSACTIONS

General. On , 1997, GAF effected a series of transactions involving GAF's subsidiaries and certain assets of GAF's subsidiaries that resulted, among other things, in the capital stock of ISP Holdings (whose principal asset is approximately 83% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, while BMCA and USI and certain other assets and liabilities, including liabilities for asbestos-related claims, remain part of GAF, but are not assets

or liabilities of ISP Holdings. Among other things, as part of the Spin Off Transactions:

1. ISP borrowed $ under the ISP Credit Agreement (after giving effect to utilization of proceeds of the ISP Loan) in order to repay to G-I Holdings all amounts owed by ISP to G-I Holdings;

2. G-I Holdings purchased Discount Notes from ISP Holdings for an aggregate cash purchase price equal to $ , representing the sum of $45 million plus an amount sufficient to pay ISP Holdings' fees and expenses related to the Spin Off Transactions (not including those fees and expenses already paid by ISP Holdings related to the ISP Holdings Transactions);

3. All Discount Notes purchased in the Tender Offer by ISP Holdings (other than those Discount Notes sold to G-I Holdings pursuant to the Repurchase or as provided in paragraph 2 above) and all 10% Notes accepted in the Old Exchange Offer by ISP Holdings were contributed to G-I Holdings by ISP Holdings as a capital contribution and cancelled by G-I Holdings;

4. Through a series of distributions, all shares of ISP Common Stock owned by GAF and its subsidiaries, including GCC, were distributed to ISP Holdings;

5. ISP Holdings distributed all of the outstanding capital stock of G-I Holdings to GAF; and

6. The capital stock of ISP Holdings was distributed to the stockholders of GAF.

IRS Ruling. In November 1996, GAF received the IRS Ruling. The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request therefor as to certain facts and circumstances with respect to the Spin Off Transactions. If the Spin Off Transactions do not qualify as 'tax-free spin offs' under the Internal Revenue Code, the GAF Tax Group would recognize gain, but not loss, as if the common stock of ISP Holdings, G-I Holdings and ISP was sold at the fair market value thereof. The gain recognized would be an amount equal to the fair market value of the ISP Holdings common stock, G-I Holdings common stock and ISP Common Stock in excess of the adjusted tax basis in such shares of common stock as determined immediately prior to the Spin Off Transactions. The tax on the income would be payable by GAF. To the extent not paid by GAF, each member of the GAF Tax Group as it existed prior to the Spin Off Transactions (including ISP Holdings, ISP and their respective subsidiaries) would be jointly and severally liable for such tax liability. See 'Certain Relationships--Mutual Indemnification.'

HLHZ Opinion. As a condition to the consummation of the Spin Off Transactions, the Boards of Directors of GAF, ISP Holdings, GCC, G-I Holdings and G Industries received a satisfactory opinion regarding the solvency of such companies and the permissibility of certain distributions contemplated by the Spin Off Transactions under Section 170 of the Delaware General Corporation Law. In written opinions dated September 12, 1996 and December , 1996, HLHZ stated that, based upon the considerations set forth therein and on other factors it

deemed relevant, both before and after giving effect to the Transactions, with respect to each of GAF, ISP Holdings, GCC, G-I Holdings and G Industries, in each case on a stand alone and consolidated basis, (a) the fair value and present fair saleable value of such company's aggregate assets exceed and would exceed such company's stated liabilities and identified contingent liabilities;
(b) such company is and would be able to pay its debts as they mature; (c) the capital remaining in such company after the Spin Off Transactions is not and would not be unreasonably small for the business in which such company is engaged, as management has indicated it is now conducted and is proposed to be conducted following consummation of the Spin Off Transactions; and (d) the excess of the fair value of aggregate assets of such company over the sum of the stated liabilities and identified contingent liabilities of such company plus the stated capital of such company, equals or exceeds and would equal or exceed the value of the assets transferred to stockholders of such company in the Spin Off Transactions.



G-I_EPA0009229

In rendering its opinions, HLHZ made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances, including a review of G-I Holdings' annual reports and filings with the Commission, a review of material agreements, meetings with members of the senior management of GAF and its then subsidiaries (the 'GAF Group') to discuss operations, financial condition, future prospects and projected operations and performance, visits to certain facilities and business offices of the GAF Group, review of forecasts and projections prepared by management, and review of other publicly available financial data for G-I Holdings, BMCA and ISP and certain companies that HLHZ deems comparable to ISP Holdings.

HLHZ relied upon and assumed, without verification, that the financial forecasts and projections had been reasonably prepared and reflected the best currently available estimates of the future financial results and condition of the GAF Group, and that there had been no material change in the assets, financial condition, business or prospects of the GAF Group since the date the most recent financial statements were made available to HLHZ. In addition, HLHZ relied upon and assumed, without verification, the accuracy of the stated amount of contingent liabilities identified to them and valued by GAF, including with respect to current and future asbestos claims and cash flows.

In addition, HLHZ did not independently verify the accuracy and completeness of the information supplied to it, and did not make any physical inspection or independent appraisal of any of the properties or assets of any member of the GAF Group. HLHZ's opinions were based on business, economic, market and other conditions as they existed and could be evaluated at the date its opinions were rendered.

GAF engaged HLHZ and paid HLHZ a fee of $175,000 for services rendered in connection with the Spin Off Transactions, including services it has conducted to render its opinions.

## THE ISP HOLDINGS TRANSACTIONS

### THE TENDER OFFER

On October 18, 1996, ISP Holdings consummated the Tender Offer for all of the outstanding Discount Notes. Approximately 99% of the outstanding Discount Notes were tendered pursuant to the Tender Offer and approximately $6.3 million in aggregate principal amount remain outstanding. All Discount Notes validly tendered and purchased in the Tender Offer, other than Discount Notes purchased by G-I Holdings from ISP Holdings, were contributed to G-I Holdings by ISP Holdings as a capital contribution in connection with the consummation of the Spin Off Transactions and cancelled by G-I Holdings. In connection with such offer to purchase, ISP Holdings obtained the consent of the tendering holders of the Discount Notes to the Discount Note Amendments which modified or eliminated certain of the restrictive covenants contained in the Discount Note Indenture, including those covenants that would have prohibited the Spin Off Transactions.

Concurrently with the consummation of the Tender Offer, ISP Holdings made the ISP Loan to ISP and G-I Holdings effected the Repurchase, the proceeds of which were used by ISP Holdings, together with the net proceeds of the 9% Note Offering (after giving effect to the ISP Loan), to consummate the Tender Offer and to pay expenses in connection with the ISP Holdings Transactions.

### THE OLD EXCHANGE OFFER

On October 18, 1996, ISP Holdings consummated the Old Exchange Offer pursuant to which approximately 99% of the outstanding 10% Notes were tendered in exchange for the Old 9 3/4% Notes. In connection with such exchange offer, ISP Holdings obtained the consent of the tendering holders of the 10% Notes to the 10% Note Amendments, which modified or eliminated certain of the restrictive covenants contained in the 10% Note Indenture, including those covenants that would have prohibited the Spin Off Transactions. All 10% Notes validly tendered and accepted in the Old Exchange Offer were contributed to G-I Holdings by ISP Holdings as a capital contribution in connection with the consummation of the Spin Off Transactions and cancelled by G-I Holdings.

### THE 9% NOTE OFFERING

On October 18, 1996, ISP Holdings issued and sold $325 million in aggregate principal amount of the Old 9% Notes in the 9% Note Offering.



G-I_EPA0009230

## BUSINESS

### ISP HOLDINGS

The business of ISP Holdings consists of owning approximately 83% of the issued and outstanding capital stock of ISP. The remaining 17% of the outstanding ISP Common Stock is publicly held and traded on the New York Stock Exchange. ISP Holdings was formed in 1996 in order to consummate the ISP Holdings Transactions. ISP Holdings is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA.

Mr. Heyman also controls GAF and its subsidiaries. See 'Security Ownership of Certain Beneficial Owners and Management.'

### ISP

ISP is a leading multinational manufacturer of specialty chemicals, mineral products, filter products and advanced materials.

ISP, incorporated in Delaware in 1991, operates its business exclusively through 19 domestic subsidiaries, including ISP Chemicals Inc., ISP Technologies Inc., ISP Van Dyk Inc. and ISP Fine Chemicals Inc., 36 international subsidiaries and GAF-Huls, the joint venture with Huls AG, in which ISP has a 50% interest.

### SPECIALTY CHEMICALS

o Products and Markets. ISP manufactures more than 325 specialty chemicals having numerous applications in consumer and industrial products. ISP uses proprietary technology to convert various raw materials, through a chain of one or more processing steps, into increasingly complex and higher value added specialty products to meet specific customer requirements. More than 200 of ISP's specialty chemical products are derived from acetylene, including intermediates, solvents, vinyl ethers, and polymers, and sales of these products represent the majority of ISP's specialty chemical sales.

ISP's specialty chemicals consist of nine main groups of products: vinyl ether polymers, polyvinyl pyrrolidone polymers, solvents, intermediates, specialty preservatives, sunscreens, emollients, pearlescent pigments and fine chemicals.

Vinyl ether polymers are used by the cosmetics, personal care, pharmaceutical and health-related industries, primarily in hair care and dental care products. Vinyl ether monomers and oligomers are used in coatings and inks for both consumer and industrial products.

Polyvinyl pyrrolidone (PVP) polymers are used primarily in cosmetics, personal care, pharmaceutical and health-related products, food and beverages, and detergent formulations. Examples are drug and vitamin tablet binders and disintegrants; clarifiers and chill-hazing elimination agents for beer, wine and fruit juices; microbiocidal products for human and veterinary applications; hair care products such as hair sprays, mousses, conditioners, gels and glazes; ingredients in water-resistant mascaras, sunscreens and lipsticks; specialty coatings, adhesives, ink jet inks and media for consumer and industrial applications; and dispersants and binders in agricultural chemical formulations.

Solvents are sold to customers for use in agricultural chemicals, pharmaceuticals, coatings, wire enamels, adhesives, plastics, electronics coating and cleaning applications, petroleum extraction and specialty cleaners. ISP's family of solvents includes, among others, N-methyl-2-pyrrolidone, gamma-butyrolactone, 2-pyrrolidone and tetrahydrofuran, many of which are used by ISP as raw materials in the manufacture of monomers and polymers.

Intermediates are manufactured primarily for use by ISP as raw materials in manufacturing solvents and polymers. Some intermediates are also sold to

customers for use in the manufacture of engineering plastics and elastomers, agricultural chemicals, oil production auxiliaries and other products. Butanediol, an intermediate produced by ISP, is an essential raw material in the manufacture of polybutylene terephthalate ('PBT') thermoplastic resins and polyurethane elastomers, which are used in the automotive, electronics and appliance industries.



G-I_EPA0009231

Specialty preservatives are proprietary products that are marketed worldwide to the cosmetics, personal care and household industries. ISP sells a number of preservative products, including Germall(Registered) 115, Germall(Registered) II, Germaben(Registered) II, Germaben (Registered) II-E, Suttocide(Registered) A and LiquaPar(Registered) Oil. Uses include infant care preparations, eye and facial makeup, after-shave and nail, bath, hair and skin preparations.

ISP Van Dyk Inc. produces three multifunctional specialty chemical product lines which ISP markets primarily to the cosmetics and personal care industry--ultraviolet absorber chemicals, the principal active ingredients in sunscreens; pearlescent pigments, which provide the pearly or lustrous color in lipsticks, eye shadows and other cosmetics; and emollients and emulsifiers, which are used as moisturizing and softening agents in a variety of creams and lotions, hair care products and other cosmetics. ISP Van Dyk's Escalol(Registered), Pearl-Glo(Registered)and Ceraphyl(Registered) products are widely recognized for their respective sunscreen, pigment and emollient properties.

ISP Fine Chemicals Inc. produces a broad range of pharmaceutical intermediates, biological buffers, pheromones and several bulk active pharmaceuticals which serve the pharmaceutical, biotechnology, agricultural and chemical process industries. Fine chemicals are extremely specialized products, made in small quantities, which because of their complexity can be priced at several hundred to several thousand dollars per kilogram. ISP Fine Chemicals Inc. also provides a custom manufacturing capability serving the pharmaceutical, biotechnology, agricultural and chemical process industries.

o Marketing and Sales. ISP markets its specialty chemicals through a worldwide marketing and sales force, typically chemists or chemical engineers, who work closely with ISP's customers to familiarize themselves with their customers' products, manufacturing processes and markets. ISP conducts its marketing and domestic sales from ISP's headquarters in Wayne, New Jersey and regional offices strategically located throughout the United States.

o International Operations. ISP markets all of its specialty chemicals worldwide. ISP conducts its international operations through 36 subsidiaries and 43 sales offices located in Western and Eastern Europe, Canada, Latin America and the Asia-Pacific region. Services of local distributors are also used to reach markets that might otherwise be unavailable to ISP.

ISP had in excess of 60% of its international sales in 1995 in countries in Western Europe and Japan which are subject to currency exchange rate fluctuation

risks. For a discussion of the Company's policy regarding the management of these risks, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.' Other countries in which the Company has sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.

International sales in 1995 of ISP's specialty chemicals, excluding sales by GAF-Huls, were approximately 45% of ISP's total 1995 sales. GAF-Huls, a joint venture in which ISP holds a 50% interest, produces certain intermediates and solvents. The GAF-Huls plant is located in Marl, Germany.

o Raw Materials. Because of the multi-step processes required to manufacture ISP's specialty chemicals, ISP believes that its raw material costs represent a smaller percentage of the cost of goods sold than for most other chemical companies. It is estimated that approximately one-third of ISP's manufacturing costs are for raw materials (including energy and packaging). As a result, fluctuations in the pricing of raw materials have less impact on ISP than on those chemical companies for which raw materials costs represent a larger percent of manufacturing costs.

The principal raw materials used in the manufacture of ISP's specialty chemicals are acetylene, methanol and methylamine. Most of these raw materials are obtained from outside sources pursuant to long-term supply agreements. Acetylene, a significant raw material used in the production of most of ISP's specialty chemicals, is obtained by ISP for domestic use from two unaffiliated suppliers pursuant to long-term supply contracts. At ISP's Texas City and Seadrift, Texas plants, acetylene is supplied via pipeline by a neighboring large multinational company that generates this raw material as a by-product from ethylene manufacture. At ISP's Calvert City, Kentucky facility, acetylene is supplied via pipeline by a neighboring company that generates it from calcium carbide. The acetylene utilized by GAF-Huls is produced by Huls AG, using a proprietary electric arc process, sourced from various hydrocarbon feedstocks. ISP believes that this diversity of supply sources, using a number



G-I_EPA0009232

of production technologies (ethylene by-product, calcium carbide and electric arc), provides the Company with a reliable supply of acetylene. In the event of a substantial interruption in the supply of acetylene from current sources, no assurances can be made that ISP would be able to obtain as much acetylene from other sources as would be necessary to meet its supply requirements. ISP has a long-standing agreement with GAF-Huls to import butanediol into the United States for use as a feedstock for the production of ISP's solvents and polymers. ISP has not experienced an interruption of its acetylene supply that has had a material adverse effect on its sales of specialty chemicals. With regard to raw materials other than acetylene, ISP believes that in the event of a supply interruption it could obtain adequate supplies from alternate sources.

Natural gas and raw materials derived from petroleum are used in many of ISP's manufacturing processes and, consequently, the price and availability of

petroleum and natural gas could be material to ISP's operations. During 1995, crude oil and natural gas supplies remained ample, while prices demonstrated small seasonal and weather-related variations. The same was true for petroleum-derived raw materials during the first nine months of 1996. While there were significant price increases for natural gas in January 1996 due to increased demand as a result of harsh weather conditions, pricing eased in the following months.

Methanol, which, due to a shortage of supply, experienced a substantial increase in price in the latter half of 1994 and the first half of 1995, experienced a significant decline in price in the second half of 1995 (to levels below the lowest prices encountered in 1994), as a result of increases in capacity by methanol suppliers. During the first nine months of 1996, methanol availability remained ample and prices remained relatively constant and in line with prices encountered during the second half of 1995. Due to the substantial increases in methanol capacity, ISP believes, although there can be no assurance, that the market conditions which caused the sudden rise in methanol prices will not reoccur in the near future.

o Strategy. ISP's strategy for future growth involves (i) the introduction of new products and the development of new applications for existing products,
(ii) geographic expansion and penetration of new markets and (iii) the selected acquisition of businesses which complement ISP's existing businesses.

ISP continued in 1995 its emphasis on the development of new products and new applications for existing products. ISP expanded the development of its broad product line for the hair care industry, where it believes there are attractive opportunities for environmentally-friendly chemicals. In this regard, ISP has been involved over the past several years in an intensive effort to tailor its family of products for the hair care industry so as to enable its customers to meet stringent regulatory requirements mandating reduction of volatile organic compounds ('VOCs'), while at the same time improving the performance characteristics of these products in order to satisfy consumer preferences. To this end, ISP has introduced since the beginning of 1994 a number of new products for the hair care industry, including the following:
Gantrez(Registered) A-425, a hair spray polymer whose molecular weight has been optimized in order to allow manufacturers to satisfy 80% VOC requirements while enhancing the performance characteristics of ISP's current Gantrez(Registered) products and providing for formulations covering a wide range of desired properties from natural to stiff feel, so as to appeal to different consumer styles which tend to vary from one region of the world to another; Gafquat(Registered) HSi and PVP/Si-10 encapsulated silicone products, which combine ISP's Gafquat(Registered) and PVP products with silicone to provide a silky feel for use in hair conditioners, shampoos and mousses; and H2OLD (Trademark) EP-1, a versatile polymer for use in low VOC or alcohol-free formulations for hair sprays, mousses and gels and designed so as to satisfy a preference on the part of certain consumers. ISP also introduced the next generation of its successful Gafquat(Registered) product, a hair styling conditioner that provides improved holding characteristics, especially at high humidity levels. In addition, ISP has recently introduced and began selling in 1996 a new hair protectant product, Escalol(Registered)HP-610, which helps protect hair from the damaging effects of the sun.

In addition to new products for the hair care industry, ISP has introduced

since the beginning of 1994 a number of other new products for use in the cosmetics, skin care, household, industrial and institutional cleaner, agricultural and oil and gas industries, examples of which include the following: Stabileze(Registered) QM, a quick mix viscosity enhancing polymer that provides desired controlled thickening properties in skin and hair care formulations; PVP K-30A, a cosmetic grade PVP specifically designed for skin care use in mascara and eye liners; Cerasynt(Registered) IP-V and Cerasynt(Registered) SD-V, vegetable-based emulsifiers for hair and skin care; a family of PVP anionic copolymers with applications in a variety of personal care, specialty industrial coatings, and household, industrial and institutional cleaner uses; and a family of agricultural adjuvant products, utilizing ISP's new



G-I_EPA0009233

proprietary microemulsion technology which provide pesticides, herbicides, fungicides and other related agricultural chemicals with greater adherence, thereby improving performance and reducing environmental risk.

ISP has also focused its research and development efforts on the improvement of manufacturing efficiency at its plants. The efforts to increase productivity, reduce waste and inefficiency and improve the overall quality of ISP's manufacturing operations have yielded increased manufacturing capacity with minimal capital investment, while providing for manufacturing cost savings.

ISP's specialty chemicals business has continued its emphasis on increased geographic penetration, with particular focus on the Asia-Pacific and Latin American regions. In order to further the geographic expansion of its specialty chemicals business, ISP has opened since the beginning of 1994 new sales and marketing operations, and/or added to its existing presence where it could increase market penetration, in more locations than in any comparable period in the history of its business, with operations having been opened or substantially augmented in Beijing, Chengdu, Shanghai and Guangzhou, China; Moscow; Buenos Aires; Bombay; Warsaw; Bangkok and Jakarta. ISP is increasing its geographic penetration throughout the world not only with the opening of sales and marketing operations, but also as a result of the increased specialization of its sales force along industry lines, the hiring of additional technical staff to assist ISP's sales force, and a substantial increase in sales staff.

In addition, ISP's strategy is to acquire niche businesses with characteristics similar to ISP's, involving high value-added products, significant market shares and barriers to entry, and product lines which complement ISP's own products. Furthermore, the acquired product lines can be expanded by use of ISP's technology, marketing expertise and worldwide distribution network.

**MINERAL PRODUCTS**

o Products and Markets. ISP manufactures mineral products consisting of ceramic-coated colored roofing granules, which are produced from rock deposits that are mined and crushed at ISP's quarries and are colored and coated using a proprietary process. ISP's mineral roofing granules are sold primarily to the

North American roofing industry for use in the manufacture of asphalt roofing shingles, for which they provide weather resistance, decorative coloring, heat deflection and increased weight. ISP is the second largest of only two major suppliers of colored roofing granules in North America, the other being Minnesota Mining & Manufacturing Company. ISP also markets granule by-products for use in the construction and maintenance of fast dry, clay-like tennis courts.

ISP estimates that more than 80% of the asphalt shingles currently produced by the roofing industry are sold for the reroofing/replacement market, in which demand is driven not by the pace of new home construction but by the needs of homeowners to replace existing roofs. Homeowners generally replace their roofs either because they are worn, thereby creating concerns as to weather-tightness, or because of the homeowners' desire to upgrade the appearance of their homes. ISP estimates that the balance of the roofing industry's asphalt shingle production historically has been sold primarily for use in new housing construction. Sales of ISP's colored mineral granules have benefitted from a trend toward the increased use of heavyweight, three-dimensional laminated roofing shingles which results in both functional and aesthetic improvements, which require, on average, approximately 60% more granules than traditional three-tab, lightweight roofing shingles.

o Marketing and Sales. BMCA purchases 100% of its colored roofing granule requirements from ISP (except for the requirements of its California roofing plant which are supplied by a third party). These purchases constituted approximately one-half of ISP's mineral products net sales in 1995. Sales to BMCA were made under a requirements contract which was renewed for one year effective January 1, 1997 and is subject to annual renewal unless terminated by BMCA or ISP. In addition, in December 1995, USI commenced purchasing substantially all of its requirements for colored roofing granules from ISP (except for the requirements of its Stockton, California and Corvallis, Oregon plants which are supplied by a third party) pursuant to a requirements contract which expires December 31, 1997. See 'Certain Relationships.'

o Raw Materials. ISP owns rock deposits that have specific performance characteristics, including weatherability, the ability to reflect UV light, abrasion-resistance, non-staining characteristics and the ability to absorb pigments. ISP owns three quarries, each with proven reserves, based on current production levels, of more than 20 years.



G-I_EPA0009234

**FILTER PRODUCTS AND ADVANCED MATERIALS**

ISP manufactures and sells filter products, consisting of pressure filter vessels, filter bags and filter systems, and sells cartridges and cartridge housings. These filter products are designed for the removal of macroscopic contaminants in the treatment of process liquids, with the paint, automotive, chemical, pharmaceutical, petroleum and food and beverage industries accounting for more than 90% of ISP's 1995 net sales of filter products.

ISP manufactures pressure filter vessels at manufacturing facilities in Brazil, Canada and Germany, which serve both local and international markets. ISP also manufactures filter bags in Belgium, Canada, Singapore, Brazil and the United States and supplies filter products worldwide through its subsidiaries, sales offices and distributors.

ISP manufactures a variety of advanced materials, consisting of high-purity carbonyl iron powders, sold under ISP's trademark Micropowder (Trademark), used in a variety of advanced technology applications for the aerospace and defense, electronics, powder metallurgy, pharmaceutical and food industries. Using proprietary technology, ISP manufactures more than 50 different grades of Micropowder (Trademark) iron, one of which is sold under the trademark Ferronyl(Registered), for use as a vitamin supplement.

The primary markets for ISP's Micropowder(Trademark) are the domestic defense industry, which employs these products in a variety of coating systems for stealth purposes in aircraft and naval ships, and the emerging metal injection molding segment of the powder metallurgy industry. ISP is the sole domestic manufacturer of carbonyl iron powders.

ISP manufactures a line of processless, electronically imaged film products including Rad-Sure(Registered), which is a radiation sensitive film strip affixed to blood bags to indicate whether or not they have been properly irradiated.

**COMPETITION**

ISP believes that it is either the first or second largest seller worldwide of its specialty chemicals derived from acetylene other than butanediol and tetrahydrofuran. Butanediol, which ISP produces primarily for use as a raw material, is also manufactured by a limited number of companies in the United States, Germany, Japan and Korea. Tetrahydrofuran is manufactured by a number of companies throughout the world. While there are companies, other than ISP and its principal competitor, that manufacture a limited number of ISP's other specialty chemicals, the market position of these companies is much smaller than that of ISP (other than as to solvents and intermediates, with respect to which there is a significant third competitor). In addition to ISP's competition as noted above, there are other companies that produce substitutable products for a number of ISP's specialty chemicals. These companies compete with ISP in the personal care, pharmaceutical, beverage preservative and industrial markets and have the effect of limiting ISP's market penetration and pricing flexibility.

Beginning in 1994, ISP experienced a dramatic improvement in the severe competitive conditions which had adversely affected ISP's intermediates and solvents business during the three preceding years as a result of an additional competitor having entered the market in 1991. As a result of improved worldwide demand for ISP's intermediates and solvents products coming principally, with respect to intermediates, from PBT engineering plastic producers for an increasingly wide range of both automotive and electrical component applications and, with respect to solvents, from increased demand for a number of existing and new applications, together with a regulatory and customer-driven trend to replace chlorinated and other volatile solvents with ISP's safer solvent, N-methyl-2-pyrrolidone ('NMP'), industry-wide capacity utilization rates for these products substantially increased in 1994, 1995 and 1996. As a result,

while butanediol ('B1D') and NMP prices had declined fairly substantially from the beginning of 1992 to mid-1994, higher capacity utilization rates, together with substantial price increases of methanol, enabled ISP to implement worldwide price increases in 1994 and 1995, establishing B1D prices at levels higher than in the recent past and reversing a significant portion of the previous decline in NMP prices. Future competitive conditions will depend in large measure on future worldwide demand for ISP's customers' end-use products and the impact of the anticipated entrance of a new competitor in the B1D and NMP European markets in 1997.

With regard to its mineral products, ISP has only one major and one smaller competitor and believes that competition has been limited by: (i) the substantial capital expenditures associated with the construction of new



G-I_EPA0009235

mineral processing and coloring plants and the acquisition of suitable rock reserves; (ii) the limited availability of proven rock sources; (iii) the complexity associated with the construction of a mineral processing and coloring plant, together with the technical know-how required to operate such a plant;
(iv) the need to obtain, prior to commencing operations, reliable data over a substantial period of time regarding the weathering of granules in order to assure the quality and durability of the product; and (v) the difficulty in obtaining the necessary permits to mine and operate a quarry.

With respect to filter products, ISP competes with a number of companies worldwide. With respect to advanced materials, ISP is the sole domestic manufacturer of carbonyl iron powders and one of only two manufacturers worldwide.

Competition is largely based upon product and service quality, technology, distribution capability and price. ISP believes that it is well positioned in the marketplace as a result of its broad product lines, sophisticated technology and worldwide distribution network.

**RESEARCH AND DEVELOPMENT**

ISP's worldwide research and development expenditures were $21.2 million, $20.3 million and $21.9 million in 1993, 1994 and 1995, respectively.

ISP's research and development department is located primarily at ISP's worldwide technical center and laboratories in Wayne, New Jersey and additional research and development is conducted at the Calvert City, Kentucky, Texas City, Texas, Chatham, New Jersey, Belleville, New Jersey, and Columbus, Ohio plant sites and technical centers in the United Kingdom, Germany, China and Singapore. ISP's mineral products research and development facility, together with its recently opened customer design and color center, is located at Hagerstown, Maryland.

**ENVIRONMENTAL SERVICES**

ISP has received conditional site designation for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property. If ISP is successful in securing the site designation and the necessary permits to construct and operate the hazardous waste facility, ISP intends to develop and operate the facility in a separate subsidiary, either on its own or in a joint venture with a suitable partner. ISP estimates that the cost of constructing the facility will be approximately $100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing.

**PROPERTIES**

The corporate headquarters and principal research and development laboratories of ISP are located at a 100-acre campus-like office and research park owned by a subsidiary of ISP at 1361 Alps Road, Wayne, New Jersey 07470. The premises are subject to a first mortgage. ISP Holdings maintains its principal office at 818 Washington Street, Wilmington, Delaware 19801, telephone
(302) 428-0847.

The principal domestic and foreign real properties either owned by, or leased to, ISP are described below. Unless otherwise indicated, the properties are owned in fee. In addition to the principal facilities listed below, ISP maintains sales offices and warehouses in the United States and abroad, substantially all of which are in leased premises under relatively short-term leases.



G-I_EPA0009236

ISP Holdings does not directly own or lease any real property.

| LOCATION | FACILITY | PRODUCT LINE |
|---|---|---|
| | DOMESTIC | |
| Alabama | | |
| Huntsville | Plant* | Advanced Materials |
| Kentucky | | |
| Calvert City | Plant | Specialty Chemicals |
| Maryland | | |
| Hagerstown | Research Center, Design Center, Sales Office | Mineral Products |
| Missouri | | |
| Annapolis | Plant, Quarry | Mineral Products |
| New Jersey | | |
| Belleville | Plant, Sales Office, Research Center, Warehouse* | Specialty Chemicals |
| Bridgewater | Sales Office | Specialty Chemicals |
| Chatham | Plant, Sales Office, Research Center, Warehouse* | Specialty Chemicals |
| Wayne | Headquarters, Corporate Administrative Offices, Research Center | Specialty Chemicals; Filter Products and Advanced Materials |
| Ohio | | |
| Columbus | Plant, Sales Office | Fine Chemicals |
| Pennsylvania | | |
| Blue Ridge Summit | Plant, Quarry | Mineral Products |
| Tennessee | | |
| Memphis | Plant*, Warehouse*, Distribution Center* | Filter Products |
| Texas | | |
| Seadrift | Plant | Specialty Chemicals |
| Texas City | Plant | Specialty Chemicals |
| Wisconsin | | |
| Pembine | Plant, Quarry | Mineral Products |
| | INTERNATIONAL | |
| Belgium | | |
| Sint-Niklaas | Plant, Sales Office, Distribution Center | Specialty Chemicals and Filter Products |
| Brazil | | |
| Sao Paulo | Plant*, Sales Office*, Distribution Center* | Specialty Chemicals and Filter Products |
| Canada | | |
| Mississauga, Ontario | Plant*, Sales Office*, Distribution Center* | Specialty Chemicals |
| Oakville, Ontario | Plant* | Filter Products |
| Germany | | |
| Hamburg | Plant* | Filter Products |
| Great Britain | | |
| Guildford | European Headquarters*, Research Center* | Specialty Chemicals |



G-I_EPA0009237

| LOCATION | FACILITY | PRODUCT LINE |
|---|---|---|
| India | | |
| Nagpur | Plant | Specialty Chemicals |
| Singapore | | |
| Southpoint | Plant*, Sales Office*, Distribution Center*, Asia-Pacific Headquarters*, Warehouse* | Specialty Chemicals and Filter Products |
| Affiliate: | | |
| GAF-Huls Chemie GmbH Marl, Germany | Plant, Sales Office | Specialty Chemicals |

* Leased Property

The Company believes that its subsidiaries plants and facilities, which are of varying ages and are of different construction types, have been satisfactorily maintained, are in good condition, are suitable for their respective operations and generally provide sufficient capacity to meet production requirements. Each plant has adequate transportation facilities for both raw materials and finished products. In 1995, the Company made capital expenditures in the amount of $38.3 million relating to plant, property and equipment.

**PATENTS AND TRADEMARKS**

ISP owns approximately 313 domestic and 123 foreign patents and owns or licenses approximately 118 domestic and 1,350 foreign trademark registrations related to the business of ISP. The Company does not believe that any single patent, patent application or trademark is material to ISP's business or operations.

The Company believes that the duration of the existing patents and patent licenses is satisfactory.

**ENVIRONMENTAL COMPLIANCE**

Since 1970, a wide variety of federal, state and local environmental laws and regulations relating to environmental matters (the 'Regulations') have been adopted and amended. By reason of the nature of the operations of the Company and its predecessor and certain of the substances that are, or have been used, produced or discharged at their plants or at other locations, the Company is affected by the Regulations. The Company has made capital expenditures of less than $3.8 million in each of the last three years in order to comply with the Regulations (which expenditures are included in additions to property, plant and equipment) and anticipates that aggregate capital expenditures relating to environmental compliance in 1996 and 1997 will be approximately $3.4 million and $3.5 million, respectively.

The Regulations deal with air and water emissions or discharges into the environment, as well as the generation, storage, treatment, transportation and disposal of solid and hazardous waste, and the remediation of any releases of hazardous substances and materials to the environment. The Company believes that its manufacturing facilities comply in all material respects with applicable Regulations, and, while it cannot predict whether more burdensome requirements will be adopted in the future, it believes that any potential liability for compliance with the Regulations will not materially affect its business, liquidity or financial position.

The Company believes that its manufacturing facilities are being operated in compliance in all material respects with applicable environmental, health and safety laws and regulations but cannot predict whether more burdensome requirements will be imposed by governmental authorities in the future.

**ENVIRONMENTAL LITIGATION**

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters ('Environmental Claims') under the Comprehensive Environmental Response Compensation and Liability Act ('CERCLA') and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites, a number of which are in the early stages or have been dormant for protracted periods.



G-I_EPA0009238

The Company estimates that its liability in respect of all Environmental Claims, and certain other environmental compliance expenses, as of September 29, 1996, after giving effect to the Transactions will be $17.4 million, before reduction for insurance recoveries reflected on its balance sheet (discussed below) of $6.9 million ('estimated recoveries'). In the opinion of management, the resolution of such matters should not be material to the business, liquidity or financial position of the Company. However, adverse decisions or events, particularly as to the liability and the financial responsibility of the Company's insurers and of the other parties involved at each site and their insurers, could cause the Company to increase its estimate of its liability in respect of such matters. It is not currently possible to estimate the amount or range of any additional liability.

After considering the relevant legal issues and other pertinent factors, the Company believes that it will receive the estimated recoveries and it may receive amounts substantially in excess thereof. The Company believes it is entitled to substantially full defense and indemnity under its insurance policies for most Environmental Claims, although the Company's insurers have not affirmed a legal obligation under the policies to provide indemnity for such claims.

The estimated recoveries are based in part upon interim agreements with certain insurers. The Company terminated these agreements in 1995 and on March 8, 1995 commenced litigation in the United States District Court for the District of New Jersey seeking amounts substantially in excess of the estimated recoveries. While the Company believes that its claims are meritorious, there can be no assurance that the Company will prevail in its efforts to obtain amounts equal to, or in excess of, the estimated recoveries.

In June 1989, ISP entered into a Consent Order with the New Jersey Department of Environmental Protection ('NJDEP') requiring the development of a remediation plan for its closed Linden, New Jersey plant and the maintenance of financial assurances (currently $7.5 million) to guarantee ISP's performance. In April 1993, NJDEP issued orders which require the prevention of discharge of contaminated groundwater and stormwater from the site and the elimination of other potential exposure concerns. ISP believes, although there can be no assurance, that, taking into account its plans for development of the site, it can comply with the NJDEP order at a cost of no more than $7.5 million (in connection with which ISP anticipates insurance recoveries of approximately $5 million). See '--Environmental Services.'

Pursuant to an Order dated September 28, 1990 issued by the United States Environmental Protection Agency (the 'EPA'), over 100 potentially responsible

parties, including the Company, have agreed to participate in the remediation of a contaminated waste disposal site in Carlstadt, New Jersey. The EPA is evaluating final remedies for the site. Total cleanup costs are unknown but the Company estimates, based on information currently available to it, that the insurance described above will cover a substantial portion of the Company's share of such costs.

**EMPLOYEES**

ISP Holdings has no employees other than its officers.

At September 29, 1996, ISP Holdings and its subsidiaries employed approximately 2,700 people worldwide and approximately 700 employees in the United States and Canada were subject to 6 union contracts. The Company does not expect to renegotiate any additional labor contracts during the remainder of 1996. The Company believes that its relations with its employees and their unions are satisfactory.

The Company has in effect various benefit plans, which include a non-qualified retirement plan for a group of executives, a capital accumulation plan for its salaried and certain hourly employees, a flexible benefit plan for its salaried employees, a retirement plan for certain of its hourly employees, and group insurance agreements providing life, accidental death, disability, hospital, surgical, medical and dental coverage. In addition, the Company has contracted with various health maintenance organizations to provide medical benefits. The Company and, in many cases, its employees contribute to the cost of these plans.



G-I_EPA0009239

## MANAGEMENT

The following table sets forth the name, age, position and other information with respect to the directors and executive officers of ISP Holdings. Each person listed below is a citizen of the United States.

| NAME AND POSITION HELD(1) | AGE | PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY |
|---|---|---|
| Samuel J. Heyman<br>Director, Chairman and Chief Executive Officer..... | 57 | Mr. Heyman has been a director and Chairman and Chief Executive Officer of ISP Holdings since its formation, of G-I Holdings since August 1988 and of GAF, G Industries and certain of its subsidiaries since April 1989, prior to which he held the same position with the predecessor to GAF (the 'Predecessor Company') from December 1983 to April 1989. Mr. Heyman has been<br><br>Chairman and Chief Executive Officer of ISP, and has been a director and Chairman of BMCA, since their respective formations. Mr. Heyman has been a director of USI since October 1995 and Chief Executive Officer of BMCA since June 1996. He is also the Chief Executive Officer, Manager and General Partner of a number of closely held real estate development companies and partnerships whose investments include commercial real estate and a portfolio of publicly traded securities. |
| Peter R. Heinze<br>President and Chief Operating Officer, International Specialty Products Inc..... | 55 | Dr. Heinze has been President, Chief Operating Officer and a Director of ISP since November 1996. He was Senior Vice President, Chemicals of PPG Industries, Inc. from April 1993 to November 1996 and Group Vice President, Chemicals of PPG Industries, Inc. from August 1992 to April 1993. From January 1988 to August 1992, Dr. Heinze was President, Chemicals Division, and an Executive Vice President of BASF Corporation. |
| Carl R. Eckardt<br>Executive Vice President..... | 65 | Mr. Eckardt has been Executive Vice President of ISP Holdings since its formation. He has been Vice Chairman of GAF since November 1996 and a director of GAF since April 1987. He was Executive Vice President of GAF from April 1989 to November 1996 and held the same position with the Predecessor Company from January 1987 to April 1989. He was President and Chief Operating Officer of ISP from January 1994 to November 1996 and was Executive Vice President of ISP from its formation to January 1994 and has served as such since November 1996. Mr. Eckardt has been |



G-I_EPA0009240

| NAME AND POSITION HELD(1) | AGE | PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY |
|---|---|---|
| | | Executive Vice President of G-I Holdings since March 1993. Mr. Eckardt was President of GCC and the Predecessor Company's chemicals division from 1985 to 1987. Mr. Eckardt was a Senior Vice President Worldwide Chemicals and Senior Vice President International Chemicals of the Predecessor Company from 1982 to 1985 and 1981 to 1982, respectively. Mr. Eckardt joined the Predecessor Company in 1974. |
| James P. Rogers<br>Senior Vice President and Chief Financial Officer..... | 45 | Mr. Rogers has been Senior Vice President and Chief Financial Officer of ISP Holdings since its formation, of G-I Holdings, GAF and certain of its subsidiaries and Senior Vice President-Finance of ISP since November 1993, a director and Senior Vice President of BMCA since its formation and a director and Senior Vice President of USI since October 1995. Mr. Rogers has served as Treasurer of G-I Holdings, GAF and certain of its subsidiaries since March 1992 and was Vice President-Finance of such corporations from March 1992 to October 1993. He was Treasurer of ISP from March 1992 to December 1994 and from September 1995 to December 1996. From August 1987 to March 1992, Mr. Rogers was Treasurer of Amphenol Corporation, a manufacturer of electronic connectors. |
| Richard A. Weinberg<br>Senior Vice President and General Counsel..... | 37 | Mr. Weinberg has been Senior Vice President and General Counsel of ISP Holdings since its formation, and of GAF, G-I Holdings, ISP, BMCA and certain of their subsidiaries since May 1996. He was Vice President and General Counsel of BMCA from September 1994 to May 1996, Vice President Law of BMCA from May 1994 to September 1994 and Vice President Law of GAFBMC from April 1993 to May 1994. Mr. Weinberg was employed by Reliance Group Holdings Inc., a diversified insurance holding company, as Staff Counsel from October 1987 to January 1990 and as Assistant Vice President and Corporate Counsel from January 1990 to April 1993. |
| Louis S. Goldberg<br>Senior Vice President, Corporate Human Resources..... | 59 | Mr. Goldberg has been Senior Vice President, Corporate Human Resources of ISP Holdings since its formation and of GAF and G-I Holdings and certain of their subsidiaries since July 1996. He has served as Senior Vice President, Headquarters |



G-I_EPA0009241

| NAME AND POSITION HELD(1) | AGE | PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY |
|---|---|---|
| | | Administrative Services of ISP since July 1996. From January 1996 to July 1996, Mr. Goldberg served as a senior consultant to GAF. From January 1995 to January 1996, he was Commissioner of the Department of<br><br>Administrative Services for the State of Connecticut, and from January 1991 to December 1993 he served as Connecticut's Commissioner of the Department of Motor Vehicles. From September 1989 to December 1990, he was Senior Vice President of Staub, Warmbold & Associates. From August 1984 to April 1989 he was Vice President-Human Resources of Playtex, Inc. and from February 1977 to January 1984 he was Vice President Administration/Human Resources of The Seagram Company Ltd. |

(1) Under ISP Holdings' By-laws, each director and executive officer continues in office until ISP Holdings' next annual meeting of stockholders and until his or her successor is elected and qualified.



G-I_EPA0009242

## EXECUTIVE COMPENSATION

No compensation is paid to officers or directors of ISP Holdings for their services in such capacity.

### SUMMARY COMPENSATION TABLE

The following table sets forth the cash and noncash compensation for each of the last three fiscal years awarded to or earned by the Chief Executive Officer of ISP Holdings and the four other most highly compensated executive officers of ISP Holdings who were employed in such capacity as of December 31, 1995.

| | | ANNUAL COMPENSATION | | | LONG-TERM COMPENSATION | |
|---|---|---|---|---|---|---|
| NAME AND PRINCIPAL POSITION(1) | YEAR | SALARY | BONUS(2) | OTHER ANNUAL COMPENSATION | SECURITIES UNDERLYING OPTIONS/SARS(4) | ALL OTHER COMPENSATION |
| Samuel J. Heyman..... | 1995 | $553,666 | $200,000 | 0 | 150,000 (O) | $ 9,848(3) |
| Chairman of the | 1994 | 394,792 | 0 | 0 | 0 | 23,665(3) |
| Board of Directors | 1993 | 464,792 | 0 | 0 | 0 | 12,750(3) |
| and Chief Executive Officer | | | | | | |
| Carl R. Eckardt..... | 1995 | 325,500 | 300,000 | 0 | 41,600 | 10,095(3) |
| President and | 1994 | 312,084 | 300,000 | 0 | 45,240 (O) | 15,440(3) |
| Chief Operating | 1993 | 269,583 | 100,000 | 0 | 0 | 8,064(3) |
| Officer, ISP | | | | | | |
| Mark A. Buckstein(5)..... | 1995 | 321,563 | 135,000 | 0 | 35,700 (O) | 17,920(5) |
| Executive Vice | 1994 | 306,250 | 185,000 | $ 60,289(5) | 2,993 (S) | 24,430(5) |
| President, General | 1993 | 125,000(5) | 65,000(5) | 35,000(5) | 30,000 (O)/6,255(S) | 4,685(5) |
| Counsel and Secretary | | | | | | |
| James P. Rogers..... | 1995 | 248,333 | 225,000 | 0 | 38,300 (O) | 13,154(6) |
| Senior Vice President | 1994 | 224,167 | 200,000 | 0 | 15,000 (O) | 18,025(6) |
| and Chief | 1993 | 194,167 | 200,000 | 0 | 15,000 (O)/9,319(S) | 21,903(6) |
| Financial Officer | | | | | | |
| James J. Strupp..... | 1995 | 204,667 | 47,500 | 5,055 | 14,000 (O) | 3,766(7) |
| Senior Vice President, | 1994 | 188,542 | 37,500 | 4,079 | 15,180 (O)/3,026(S) | 7,746(7) |
| Human Resources | 1993 | 167,292 | 25,000 | 3,848 | 17,123 (O)/6,202(S) | 5,537(7) |

(1) ISP paid the compensation to each of such named executive officers. The SARs were granted by GAF.

(2) Bonus amounts are payable pursuant to ISP's Executive Incentive Compensation Programs.

(3) Included in these amounts for Mr. Heyman are: $8,598, $22,415 and $11,000 for the premium paid by the Company for a life insurance policy in 1995, 1994 and 1993, respectively; and $1,250, $1,250 and $1,750 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively. Included in these amounts for Mr. Eckardt are: $8,845, $14,190 and $6,314 for the premium paid by G-I Holdings for a life insurance policy in 1995, 1994 and 1993, respectively; and $1,250, $1,250 and $1,750 for the premiums paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

(4) The options (O) are for shares of ISP Common Stock and the stock appreciation rights (S) relate to shares of GAF common stock. See 'Options and Stock Appreciation Rights.'

(5) Mr. Buckstein commenced employment as Executive Vice President, General Counsel and Secretary on August 1, 1993 and retired from the Company on May 15, 1996. Included in 'Other Annual Compensation' for Mr. Buckstein are $31,398 in payment of moving related expenses and a 'tax gross-up' of $21,440 in 1994 and $35,000 in payment of moving related expenses in 1993, all in connection with Mr. Buckstein's move following his joining the Company. Included in 'All Other Compensation' for Mr. Buckstein are: $11,000 and $11,000, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995 and 1994, respectively; $5,670, $12,180 and $2,935 for the premium paid by G-I Holdings for a life

(Footnotes continued on next page)



G-I_EPA0009243

(Footnotes continued from previous page)

insurance policy in 1995, 1994 and 1993, respectively; and $1,250, $1,250 and $1,750 for the premium paid by the Company for a long-term disability

policy in 1995, 1994 and 1993, respectively.

(6) Included in these amounts for Mr. Rogers are $10,963, $10,750 and $16,040, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995, 1994 and 1993, respectively; $978, $6,125 and $4,504 for the premium paid by the Company for a life insurance policy in 1995, 1994 and 1993, respectively; and $1,213, $1,150 and $1,359 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

(7) Included in these amounts for Mr. Strupp are $500, $500 and $500, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995, 1994 and 1993, respectively; $2,266, $6,383 and $3,866 for the premium paid by the Company for a life insurance policy in 1995, 1994 and 1993, respectively; and $1,000, $863 and $1,171 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

**OPTIONS AND STOCK APPRECIATION RIGHTS**

The following tables summarize grants of options to acquire ISP Common Stock granted during 1995 to the executive officers named in the Summary Compensation Table above and the potential realizable value of such options and stock appreciation rights ('SARs') relating to GAF common stock held by such persons. No SARs were granted to, and no options or SARs were exercised by, such persons in 1995.

**ISP COMMON STOCK OPTION GRANTS IN 1995**

| NAME | NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(0) | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1995 | EXERCISE/ BASE PRICE ($/SHARE) | MARKET PRICE ON DATE OF GRANT | EXPIRATION DATE | POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM | |
|---|---|---|---|---|---|---|---|
| | | | | | | 5% | 10% |
| Samuel J. Heyman..... | 150,000(2) | 11.07% | $ 7.000 | $ 7.000 | 2/27/04 | $578,850 | $1,425,900 |
| Carl R. Eckardt..... | 41,600(3) | 3.07% | 8.625 | 8.625 | 7/10/04 | 197,808 | 487,219 |
| Mark A. Buckstein..... | 35,700(3) | 2.63% | 8.625 | 8.625 | 7/10/04 | 169,754 | 418,118 |
| James P. Rogers..... | 25,800(4) | 1.90% | 8.625 | 8.625 | 7/10/04 | 122,679 | 302,170 |
| | 12,500(4) | 0.92% | 5.875 | 10.875 | 12/31/01 | 108,732 | 167,384 |
| James J. Strupp..... | 14,000(3) | 1.03% | 8.625 | 8.625 | 7/10/04 | 66,570 | 163,968 |

(1) Options were granted under the ISP 1991 Incentive Plan for Key Employees and Directors, as amended (the '1991 Incentive Plan'). Each option becomes vested as to 20%, 40%, 60%, 80% and 100% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant,

respectively, and, to the extent vested, is exercisable for 9 years from the date of grant, except for options granted to Mr. Rogers for 12,500 shares which will become fully vested 2 1/2 years after the date of grant, and, to the extent vested, are exercisable for 6 years from the date of grant. The Compensation and Pension Committee of the Board of Directors of ISP may, on a case by case basis, accelerate the vesting of unvested options in the event of a 'Change in Control' (as defined).

(2) Mr. Heyman's ISP options were granted on February 27, 1995 and became or will become exercisable as to 30,000 shares on each of February 27, 1996, 1997, 1998, 1999 and 2000.

(3) Mr. Eckardt's, Mr. Buckstein's and Mr. Strupp's ISP options were granted on July 10, 1995. Mr. Eckardt's and Mr. Strupp's options will become exercisable as to 8,320 shares and 2,800 shares, respectively, on each of July 10, 1996, 1997, 1998, 1999 and 2000. Mr. Buckstein's options terminated upon his retirement from the Company.

(Footnotes continued on next page)



G-I_EPA0009244

(Footnotes continued from previous page)

(4) Mr. Rogers' options for 25,800 shares were granted on July 10, 1995 and will become exercisable as to 5,160 shares on each of July 10, 1996, 1997, 1998, 1999 and 2000. Mr. Rogers' options for 12,500 ISP shares will become exercisable on June 30, 1998.

**VALUE OF ISP COMMON STOCK OPTIONS/GAF STOCK APPRECIATION RIGHTS AT DECEMBER 31,**

1995

| NAME | NUMBER OF SECURITIES UNDERLYING UNEXERCISED ISP OPTIONS (O)/GAF SARS(S) AT 12/31/95 EXERCISABLE/UNEXERCISABLE | VALUE OF UNEXERCISED IN-THE-MONEY OPTION/SARS AT 12/31/95(1) EXERCISABLE/UNEXERCISABLE |
|---|---|---|
| Samuel J. Heyman..... | 0/150,000(O) | $ 0/$581,250 |
| Carl R. Eckardt..... | 39,048/97,792(O) | 37,323/242,892 |
| Mark A. Buckstein..... | 12,000/53,700(O) | 49,500/154,575 |
| | 0/9,248(S) | 0/359,662 |
| James P. Rogers..... | 27,000/71,300(O) | 25,875/190,300 |
| | 0/9,319(S) | 0/312,122 |
| James J. Strupp..... | 9,885/36,418(O) | 40,776/118,119 |
| | 0/9,228(S) | 0/315,184 |

(1) Options for 150,000, 86,840, 65,700, 68,300 and 46,303 shares were in-the-money for Messrs. Heyman, Eckardt, Buckstein, Rogers and Strupp, respectively, as of December 31, 1995. All outstanding SARs were in-the-money as of December 31, 1995.

**PENSION PLANS**

Non-Qualified Retirement Plan. The Company has a non-qualified retirement plan for the benefit of certain key employees (the 'Retirement Plan'). The benefit payable under the Retirement Plan, which vests in accordance with a 10-year schedule, consists of an annual payment commencing at age 65 equal to 25% of a covered employee's last full year's base salary. The benefit continues for the longer of 15 years or the joint lifetimes of the employee or his or her spouse. If a covered employee dies while employed by GAF or a subsidiary, a death benefit of 36% of the employee's base salary at the date of death is payable for a term of 15 years to the employee's beneficiary.

No new participants have been admitted to the Retirement Plan since January 1989 and it is not anticipated that any new participants will be admitted hereafter. Of the executive officers named in the Summary Compensation Table, only Messrs. Heyman, Eckardt and Strupp participate in the Retirement Plan.

The following table shows, for the salary levels and years of service indicated, the annual pension benefit, payable commencing at age 65 to participants in the Retirement Plan.



G-I_EPA0009245

**NON-QUALIFIED RETIREMENT PLAN**
**ANNUAL PAYMENTS AT AGE 65**

| | YEARS OF SERVICE | | | | | | |
|---|---|---|---|---|---|---|---|
| SALARY | 5 | 10 | 15 | 20 | 25 | 30 | 35 |
| $250,000 | $31,250 | $ 62,500 | $ 62,500 | $ 62,500 | $ 62,500 | $ 62,500 | $ 62,500 |
| 300,000 | 37,500 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 350,000 | 43,750 | 87,500 | 87,500 | 87,500 | 87,500 | 87,500 | 87,500 |
| 400,000 | 50,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 450,000 | 56,250 | 112,500 | 112,500 | 112,500 | 112,500 | 112,500 | 112,500 |
| 500,000 | 62,500 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| 550,000 | 68,750 | 137,500 | 137,500 | 137,500 | 137,500 | 137,500 | 137,500 |
| 600,000 | 75,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| 650,000 | 81,250 | 162,500 | 162,500 | 162,500 | 162,500 | 162,500 | 162,500 |
| 700,000 | 87,500 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |

The years of service covered by the Retirement Plan are, for Mr. Heyman, Mr. Eckardt and Mr. Strupp, nine years, nine years and seven years,

respectively. Current salaries covered by the Retirement Plan are the amounts set forth under the 'salary' column of the Summary Compensation Table for the above-named executive officers. The annual pension benefit is not subject to reduction for Social Security and other benefits and is computed on a straight-life annuity basis.

Additional Pension Arrangements. ISP has agreed to provide Mr. Eckardt, at age 67, a $200,000 annuity comprising two pieces: (i) the benefits payable under the Retirement Plan described above, and (ii) a supplemental retirement benefit representing the difference between $200,000 per year and the benefit payable under the Retirement Plan. The supplemental retirement benefit will vest at 20% per year over a five year period beginning March 19, 1994. In the event Mr. Eckardt should die without a surviving spouse, no supplemental retirement benefit will be payable. In the event Mr. Eckardt should die prior to the termination of his employment, and leave a surviving spouse, his spouse will be entitled to receive for her life an annual payment of the portion of the supplemental retirement benefit in which he was vested on the date of his death. If Mr. Eckardt's employment is terminated involuntarily other than for cause (as defined), or in the event Mr. Eckardt becomes totally and permanently disabled, he will be entitled to receive payment of the portion of the supplemental retirement benefit in which he is vested on the date of termination or of the onset of such disability. If Mr. Eckardt's employment is terminated for cause, the Company in its sole discretion may declare all or any portion (whether vested or unvested) of the supplemental retirement benefits forfeited.



G-I_EPA0009246

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### ISP HOLDINGS

Prior to consummation of the Spin Off Transactions, all of the outstanding common stock of ISP Holdings ('ISP Holdings Common Stock') was owned of record by GAF. As part of the Spin Off Transactions, the ISP Holdings Common Stock was distributed to the stockholders of GAF initially in the same proportion as they own common stock of GAF. See 'The Spin Off Transactions.'

The following table sets forth information with respect to the ownership of ISP Holdings Common Stock, as of October 31, 1996, by each other person known to ISP Holdings to own beneficially more than 5% of the ISP Holdings Common Stock outstanding on that date, by each director of ISP Holdings and by all executive officers and directors of ISP Holdings as a group, based on 10 shares of ISP Holdings Common Stock outstanding on that date:

| TITLE OF CLASS | NAME AND ADDRESS OF BENEFICIAL OWNER | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP | PERCENT OF CLASS | PERCENT OF TOTAL VOTING POWER |
|---|---|---|---|---|
| Common Stock..... | Samuel J. Heyman<br>1361 Alps Road<br>Wayne, New Jersey 07470 | 10(1) | 100%(1) | 100%(1) |
| | All directors and executive officers of ISP Holdings as a group (6 persons) | 10(1) | 100%(1) | 100%(1) |

(1) By virtue of Mr. Heyman's ownership of capital stock of GAF having approximately 96% of the combined voting power thereof, Mr. Heyman may be deemed to be the beneficial owner of all shares of ISP Holdings Common Stock.

### ISP

As of October 31, 1996, shares of ISP Common Stock were beneficially owned by ISP Holdings' directors, ISP Holdings and ISP Holdings' directors and executive officers as a group as follows:

| NAME | NUMBER OF SHARES OWNED | % | NUMBER OF SHARES BENEFICIALLY OWNED(3) | BENEFICIAL %(3) |
|---|---|---|---|---|
| Samuel J. Heyman..... | 125,000 | 0.1% | 80,655,000(1) | 83.6%(1) |
| Carl R. Eckardt(2)..... | 1,000 | * | 77,416 | * |
| James P. Rogers..... | 20,316(4) | * | 67,477(4) | * |
| Peter R. Heinze..... | 0 | * | 0 | * |
| Louis S. Goldberg..... | 200 | * | 200 | * |
| Richard A. Weinberg..... | 0 | * | 0 | * |
| ISP Holdings..... | 80,500,000 | 83.5% | 80,500,000 | 83.5% |
| All directors and executive officers of ISP Holdings (6 persons)..... | 146,516(4) | 0.2(3)(4) | 80,800,092(2)(4) | 83.7%(2)(4) |

* Less than one-tenth of one percent

(1) By virtue of Mr. Heyman's ownership of capital stock of GAF having approximately 96% of the combined voting power thereof, the number of shares shown as being beneficially owned by Mr. Heyman includes 80,500,000 shares owned by ISP Holdings. The business addresses of Mr. Heyman and ISP Holdings are 1361 Alps Road, Wayne, New Jersey 07470 and 818 Washington Street, Wilmington, Delaware 19801, respectively.

(Footnotes continued on next page)



G-I_EPA0009247

(Footnotes continued from previous page)

(2) The number of shares shown as being beneficially owned by all directors and officers of ISP Holdings as a group attributes ownership of ISP Holdings' 80,500,000 shares to Mr. Heyman. See footnote 1 above. Mr. Eckardt also owns 29,995 shares of GAF's common stock which shares have, in the aggregate, approximately 1.7% of the combined voting power of GAF's capital stock. Such shares are held subject to GAF's right to acquire such shares from Mr. Eckardt upon his termination of employment with GAF and its affiliates.

(3) Includes with respect to Messrs. Heyman, Eckardt and Rogers and all directors and executive officers as a group 30,000, 76,416, 47,160 and 153,576 shares, respectively, subject to options granted under the ISP 1991 Incentive Plan which are currently exercisable or exercisable within 60 days.

(4) Includes with respect to Mr. Rogers 7,316 shares held in his account with the GAF Capital Accumulation Plan as of December 31, 1995 and 10,000 shares held jointly with his spouse.

## TAX SHARING AGREEMENT

On December , 1996, effective January 1, 1997, ISP and its domestic subsidiaries entered into a Tax Sharing Agreement with ISP Holdings with respect to the payment of federal income taxes and certain related matters (the 'ISP Holdings Tax Sharing Agreement'). During the term of the ISP Holdings Tax Sharing Agreement, which extends as long as ISP or any of its domestic subsidiaries, as the case may be, is included in a consolidated federal income tax return filed by ISP Holdings, or a successor entity, ISP is obligated to pay to ISP Holdings an amount equal to those federal income taxes ISP would have incurred if, subject to certain exceptions, ISP (on behalf of itself and its domestic subsidiaries) filed its consolidated federal income tax return. These exceptions include, among others, that ISP may utilize certain favorable tax attributes i.e., losses, deductions and credits (except for a certain amount of foreign tax credits and, in general, net operating losses) only at the time such attributes reduce the federal income tax liability of ISP Holdings and its consolidated subsidiaries (the 'ISP Holdings Group'); and that ISP may carry back or carry forward its favorable tax attributes only after taking into account current tax attributes of the ISP Holdings Group. In general, subject to the foregoing limitations, unused tax attributes carry forward for use in reducing amounts payable by ISP to ISP Holdings in future years. Subject to certain exceptions, actual payment for such attributes will be made by ISP Holdings to ISP only when ISP Holdings receives an actual refund of taxes from the IRS or, under certain circumstances, the earlier of (i) the dates of the filing of federal income tax returns of ISP for taxable years of ISP following the last taxable year in which it was a member of the ISP Holdings Group, or (ii) when ISP Holdings no longer owns more than 50% of ISP. Foreign tax credits not utilized by ISP in computing its tax sharing payments will be refunded by ISP Holdings to ISP, if such credits expire unutilized, upon the termination of the statute of limitations for the year of expiration.

The ISP Holdings Tax Sharing Agreement provides for analogous principles to be applied to any consolidated, combined or unitary state or local income taxes. Under the ISP Holdings Tax Sharing Agreement, ISP Holdings makes all decisions with respect to all matters relating to taxes of the ISP Holdings Group. The provisions of the ISP Holdings Tax Sharing Agreement take into account both the federal income taxes ISP would have incurred if it filed its own separate federal income tax return and the fact that ISP is a member of the ISP Holdings Group for federal income tax purposes.

ISP Holdings and ISP were parties to tax sharing agreements with members of the GAF Group. As a result of the Spin Off Transactions, ISP Holdings and ISP are no longer included in the consolidated federal income tax returns of GAF, and therefore, such tax sharing agreements are no longer applicable with respect to the future tax liabilities of ISP Holdings and ISP. ISP Holdings and ISP remain obligated, however, with respect to tax liabilities imposed or that may be imposed for periods prior to the Spin Off Transactions. Among other things, those tax sharing agreements provide for the sharing of the GAF Group's consolidated tax liability based on each member's share of the tax as if such member filed on a separate basis. Accordingly, a payment of tax would be made to GAF equal to ISP Holdings' and ISP's allocable share of the GAF Group's consolidated tax liability. Alternatively, ISP Holdings and ISP would be entitled to refunds if losses or other attributes reduce the GAF Group's consolidated tax liability. Moreover, foreign tax credits generated by ISP not utilized by GAF will be refunded by GAF or its subsidiary to ISP, if such credits expire unutilized upon termination of the statute of



G-I_EPA0009248

limitations for the year of expiration. Furthermore, those tax sharing agreements provide for an indemnification to ISP Holdings and ISP for any tax liability attributable to another member of the GAF Group.

See 'Certain Relationships' for information relating to tax indemnification in connection with the Spin Off Transactions.

## CERTAIN RELATIONSHIPS

Management Agreement. Pursuant to a Management Agreement (the 'Management Agreement') which expires at the end of 1997, ISP provides certain general management, administrative and facilities services to ISP Holdings and to certain other affiliates of GAF, including BMCA, USI, G-I Holdings and GCC. Charges by ISP for providing such services aggregated $4.5 million in 1995. Such charges were increased to an annual rate of approximately $4.9 million, effective January 1, 1996, and can be further adjusted by amendment if there is a substantial change in the cost to ISP of providing such services. In addition to the management services charge, BMCA paid approximately $700,000 to ISP in 1995, primarily for telecommunications and information services, and G-I Holdings and BMCA paid approximately $200,000 to ISP in 1995 for legal services, which in each case were not then contemplated by the Management Agreement. Although, due to the unique nature of the services provided under the Management Agreement, comparisons with third party arrangements are difficult, ISP believes that the terms of the Management Agreement, taken as a whole, are no less

favorable to ISP than could be obtained from an unaffiliated third party. Certain of the executive officers of ISP perform services for affiliates of ISP pursuant to the Management Agreement, and ISP is indirectly reimbursed therefor by virtue of the management fee.

Granules Contracts. BMCA purchases from ISP all of its colored roofing granule requirements (except for the requirements of BMCA's California roofing plant) under a requirements contract which was renewed for 1997 and is subject to annual renewal unless terminated by ISP or BMCA. In 1995, BMCA purchased approximately $45.7 million of mineral products from ISP, representing approximately 7% of ISP's total net sales and approximately 53% of ISP's net sales of mineral products. In addition, in December 1995, USI commenced purchasing from ISP substantially all of its requirements for colored roofing granules (except for the requirements of USI's Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. During the period in 1995 after USI's acquisition by an affiliate of the Company, USI purchased approximately $0.1 million of mineral products from ISP. The Company's supply arrangements with BMCA and USI are at prices and on terms which the Company believes are no less favorable to ISP than could be obtained from an unaffiliated third party.

Mutual Indemnification. Pursuant to the terms of an indemnification agreement dated as of October 18, 1996 (the 'Indemnification Agreement') among GAF, G-I Holdings, ISP Holdings, G Industries and GCC, (i) GAF and G-I Holdings have agreed to indemnify ISP Holdings and its subsidiaries for all liabilities of the GAF Group as it is currently comprised (the 'Current GAF Group'), including all liabilities for asbestos-related claims (whether for indemnity or defense) and such group's liabilities relating to environmental matters, litigation and employee benefits and excluding all liabilities of ISP and its subsidiaries, all liabilities relating to the Notes and all other liabilities reflected in the pro forma consolidated balance sheet of ISP Holdings and its subsidiaries or the notes thereto prepared in connection with the ISP Holdings Transactions, (ii) ISP Holdings has agreed to indemnify GAF and the other members of the Current GAF Group for all liabilities of ISP and its subsidiaries, all liabilities relating to the Notes, and all other liabilities reflected in the pro forma consolidated balance sheet of ISP Holdings and its subsidiaries or the notes thereto prepared in connection with the ISP Holdings Transactions (excluding those liabilities as to which ISP Holdings is being indemnified in accordance with clause (i)), (iii) ISP Holdings has agreed to indemnify GAF and the other members of the Current GAF Group for its accrued tax liability prior to the Spin Off Transactions and (iv) GAF, G-I Holdings, G Industries and GCC have agreed to indemnify ISP Holdings, ISP and its subsidiaries from, and against, any and all taxes (net of any tax benefits realized by the indemnitees) that may be payable by the Current GAF Group with respect to the Spin Off Transactions. See 'Selected Financial Data.'

Other Transactions Between ISP Holdings and Other Members of the Current GAF Group. The Indentures restrict ISP Holdings and ISP from engaging in certain transactions with members of the Current GAF Group, including making loans to, or guarantees in favor of, such companies, except pursuant to certain specified agreements. See 'Description of the New Notes' and 'Risk Factors--Holding Company Structure and Related Considerations.' For a description of certain tax sharing agreements, see 'Tax Sharing Agreement.'



G-I_EPA0009249

## PURPOSE AND EFFECT

Each of the Old 9% Notes and the Old 9 3/4% Notes were issued by ISP Holdings on October 18, 1996. In connection therewith, ISP Holdings entered into each of the 9% Note Indenture and the 9 3/4% Note Indenture, each of which requires that ISP Holdings file a registration statement under the Securities Act with respect to the New Notes and, upon the effectiveness of such registration statement, offer to the holders of the Old Notes the opportunity to exchange their Old Notes for a like principal amount of New Notes, which will be issued without a restrictive legend and, except as set forth below, may be reoffered and resold by the holder without registration under the Securities Act. Upon the completion of the Exchange Offers, ISP Holdings' obligations with respect to the registration of the Old Notes and the New Notes will terminate, except as provided below. A copy of each Indenture and the Registration Agreements delivered in connection therewith have been filed as exhibits Prospectus is a part. As a result of the filing and the effectiveness of the Registration Statement, certain prospective increases in the interest rate on the Old Notes provided for in the Registration Agreements will not occur. Following the completion of the Exchange Offers, holders of Old Notes not tendered will not have any further registration rights, except as provided below, and the Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for the Old Notes could be adversely affected upon completion of the Exchange Offers.

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, ISP Holdings believes that New Notes issued pursuant to the Exchange Offers in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP holdings within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such holder represents to ISP Holdings that (i) such New Notes are acquired in the ordinary course of business of such holder, (ii) such holder is not engaging in and does not intend to engage in a distribution of such new Notes and (iii) such holder has no arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offers for the purpose of participating in a distribution of the New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. See 'Plan of Distribution.'

In the event that any holder of Old Notes would not receive freely tradeable New Notes in the Exchange Offers or is not eligible to participate in the Exchange Offers, such holder can elect, by so indicating on the Letter of Transmittal and providing certain additional necessary information, to have such

holder's Old Notes registered in a 'shelf' registration statement on an appropriate form pursuant to Rule 415 under the Securities Act. In the event that ISP Holdings is obligated to file a 'shelf' registration statement, it will be required to keep such 'shelf' registration statement effective for a period of three years or such shorter period that will terminate when all of the Old Notes covered by such registration statement have been sold pursuant thereto. Other than as set forth in this paragraph, no holder will have the right to require ISP Holdings to register such holder's Notes under the Securities Act. See 'Procedures for Tendering.'

## CONSEQUENCES OF FAILURE TO EXCHANGE

Following the completion of the Exchange Offers holders of Old Notes not tendered will not have any further registration rights, except as set forth above, and the Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for a holder's Old Notes could be adversely affected upon completion of the Exchange Offers if such holder does not participate in the Exchange Offers.



G-I_EPA0009250

**TERMS OF THE EXCHANGE OFFERS**

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, ISP Holdings will accept any and all Old Notes validly tendered and not withdrawn prior to 12:00 midnight, New York City time, on the Expiration Date. ISP Holdings will issue (i) $1,000 principal amount of New 9% Notes in exchange for each $1,000 principal amount of outstanding Old 9% Notes accepted in the Exchange Offer relating thereto and (ii) $1,000 principal amount of New 9 3/4% Notes in exchange for each $1,000 principal amount of outstanding Old 9 3/4% Notes accepted in the Exchange Offer relating thereto. Holders may tender some or all of their Old Notes pursuant to the Exchange Offers. However, Old Notes may be tendered only in integral multiples of $1,000 in principal amount.

The form and terms of New 9% Notes are the same as the form and terms of the Old 9% Notes and the form and terms of the New 9 3/4 Notes are the same as the form and terms of the Old 9 3/4% Notes, except, in each case, that the New Notes have been registered under the Securities Act and hence will not bear legends restricting the transfer thereof. The New 9% Notes will evidence the same debt as the Old 9% Notes and will be issued pursuant to, and entitled to the benefits of, the 9% Indenture pursuant to which the Old Notes were issued and will be deemed one issue of notes, together with the Old 9% Notes. The New 9 3/4% Notes will evidence the same debt as the Old 9 3/4% Notes and will be issued pursuant to, and entitled to the benefits of, the 9 3/4% Indenture pursuant to which the Old Notes were issued and will be deemed one issue of notes, together with the Old 9 3/4% Notes.

As of the date of this Prospectus, $325,000,000 aggregate principal amount of the Old 9% Notes and $199,871,000 aggregate principal amount of the Old 9 3/4% Notes were outstanding. This Prospectus, together with the applicable Letter of Transmittal, is being sent to all registered holders and to others

believed to have beneficial interests in the Old Notes. Holders of Old Notes do not have any appraisal or dissenters' rights in connection with the Exchange Offers under the General Corporation Law of the State of Delaware or the Indentures. ISP Holdings intends to conduct the Exchange Offers in accordance with the applicable requirements of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and the rules and regulations of the Commission promulgated thereunder.

ISP Holdings shall be deemed to have accepted validly tendered Old Notes when, as, and if ISP Holdings has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving the New Notes from ISP Holdings. If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the Expiration Date.

Holders who tender Old Notes in the Exchange Offers will not be required to pay brokerage commissions or fees or, except as set forth below under 'Transfer Taxes,' transfer taxes with respect to the exchange of Old Notes pursuant to the Exchange Offers. ISP Holdings will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange Offers. See '--Fees and Expenses' below.

**EXPIRATION DATE; AMENDMENTS**

The term 'Expiration Date' shall mean 12:00 midnight, New York City time, on , 1997, unless ISP Holdings, in its sole discretion, extends either Exchange Offer (in which case the term 'Expiration Date' shall mean the later date and time to which such Exchange Offer is extended). ISP Holdings does not intend to extend either Exchange Offer although it reserves the right to do so by giving oral or written notice of such extension to the Exchange Agent and by giving each registered holder notice by means of a press release or other public announcement of any extension, in each case, prior to 9:00 A.M., New York City time, on the next business day after the scheduled Expiration Date. ISP Holdings also reserves the right, in its sole discretion, (i) to delay accepting any Old Notes or, if any of the conditions set forth below under 'Conditions' shall not have been satisfied or waived, to terminate either Exchange Offer or
(ii) to amend the terms of either Exchange Offer in any manner, by giving oral or written notice of such delay, or termination to the Exchange Agent, and by complying with Rule 14e-1(d) promulgated under the Exchange Act to the extent such Rule applies. ISP Holdings acknowledges and undertakes to comply with the provisions of Rule 14e-1(c) promulgated under the Exchange Act, which requires ISP Holdings to pay the consideration offered, or return the Old Notes surrendered for exchange, promptly after the termination or withdrawal of the applicable Exchange Offer. Any such



G-I_EPA0009251

extension, termination or amendment will be followed as promptly as practicable by a notice to holders of Old Notes of the appropriate issue.

**PROCEDURES FOR TENDERING**

Only a registered holder of Old 9% Notes may tender such Old Notes in the Exchange Offer relating thereto and only a registered holder of Old 9 3/4% Notes may tender such Old Notes in the Exchange Offer relating thereto. To tender in either Exchange Offer, a registered holder must complete, sign, and date the applicable Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal or such facsimile to the Exchange Agent prior to the Expiration Date. In addition, either (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal, or (ii) a timely confirmation of a book-entry transfer (a 'Book-Entry Confirmation') of such Old Notes, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the 'Book-Entry Transfer Facility') pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date, or (iii) the registered holder must comply with the guaranteed delivery procedures described below. To be tendered effectively, the Letter of Transmittal and other required documents must be received by the Exchange Agent at the address set forth below under 'Exchange Agent' prior to the Expiration Date.

The tender by a registered holder which is not withdrawn prior to the Expiration Date will constitute an agreement between such holder and ISP Holdings in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

THE METHOD OF DELIVERY OF OLD NOTES AND THE LETTER OF TRANSMITTAL AND ALL

OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO ISP HOLDINGS. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES, OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and who wishes to tender should contact the registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution (as defined below) unless (A) Old Notes tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled 'Special Registration Instructions' or 'Special Delivery Instructions' on the Letter of Transmittal or
(ii) for the account of an Eligible Institution and (B) the box entitled 'Special Registration Instructions' on the Letter of Transmittal has not been

completed. In the event that signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Program or the Stock Exchanges Medallion Program (each an 'Eligible Institution').

If the Letter of Transmittal is signed by a person other than the registered holder of any Old Notes listed therein, such Old Notes must be endorsed or accompanied by a properly completed bond power and signed by such registered holder as such registered holder's name appears on such Old Notes.

If the Letter of Transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officer of corporations, or others acting in a fiduciary or



G-I_EPA0009252

representative capacity, such persons should so indicate when signing, and unless waived by ISP Holdings, evidence satisfactory to ISP Holdings of their authority to so act must be submitted with the Letter of Transmittal.

All questions as to the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered Old Notes will be determined by ISP Holdings in its sole discretion, which determination will be final and binding. ISP Holdings reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes ISP Holdings' acceptance of which would, in the opinion of counsel for ISP Holdings, be unlawful. ISP Holdings also reserves the right to waive any defects, irregularities, or conditions of tender as to particular Old Notes. ISP Holdings' interpretation of the terms and conditions of the Exchange Offers (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, defects or irregularities in connection with tenders of Old Notes must be cured within such time as ISP Holdings shall determine. Although ISP Holdings intends to notify holders of defects or irregularities with respect to tenders of Old Notes, neither ISP Holdings, the Exchange Agent, nor any other person shall incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, ISP Holdings reserves the right in its sole discretion to purchase or make offers for, or to offer New Notes for, any Old Notes that remain outstanding subsequent to the Expiration Date or, as set forth below under 'Conditions,' to terminate either Exchange Offer and, to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offers.

By tendering, each holder will represent to ISP Holdings that, among other things, (i) the New Notes acquired pursuant to the Exchange Offer are being acquired in the ordinary course of business of such holder, (ii) the holder is not engaging in and does not intend to engage in a distribution of such New Notes, (iii) the holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes and (iv) the holder is not an 'affiliate,' as defined under Rule 405 of the Securities Act, of ISP Holdings.

In all cases, issuance of New Notes for Old Notes that are accepted for exchange pursuant to either Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offers or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged Old Notes (or Old Notes in substitution therefor) will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described below, such non-exchanged Old Notes will be credited to such tendering holder's account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

**BOOK-ENTRY TRANSFER**

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offers within two business days after receipt of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at the address set forth below under 'Exchange Agent' on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.



G-I_EPA0009253

**GUARANTEED DELIVERY PROCEDURES**

If a registered holder of the Old 9% Notes or Old 9 3/4% Notes desires to tender such Old Notes and such Old Notes are not immediately available, or time will not permit such holder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i)

the tender is made through an Eligible Institution, (ii) on or prior to 12:00 midnight, New York City time, on the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by ISP Holdings (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ('NYSE') trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

**WITHDRAWAL RIGHTS**

Tenders of Old 9% Notes or Old 9 3/4% Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date.

For a withdrawal of a tender of Old Notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth below under 'Exchange Agent' prior to 12:00 midnight, New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee register the transfer of such Old Notes into the name of the person withdrawing the tender, and (iv) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. All questions as to the validity, form, and eligibility (including time of receipt) of such notices will be determined by ISP Holdings, whose determination shall be final and bindings on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offers. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender, or termination of the applicable Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under 'Procedures for Tendering' above at any time on prior to 12:00 midnight, New York City time, on the Expiration Date.

**CONDITIONS**

The consummation of either Exchange Offer is not conditioned on the consummation of the other Exchange Offer. Notwithstanding any other provisions of the Exchange Offers and, however, subject to its obligations pursuant to the

Registration Agreements, ISP Holdings shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend either Exchange Offer, if at any time before the acceptance of such New Notes for exchange, any of the following events shall occur:

A. any injunction, order or decree shall have been issued by any court or any governmental agency that would prohibit, prevent or otherwise materially impair the ability of ISP Holdings to proceed with such Exchange Offer; or

B. such Exchange Offer shall violate any applicable law or any applicable interpretation of the staff of the Commission.



G-I_EPA0009254

The foregoing conditions are for the sole benefit of ISP Holdings and may be asserted by ISP Holdings regardless of the circumstances giving rise to any such condition or may be waived by ISP Holdings in whole or in part at any time and from time to time in its sole discretion. The failure by ISP Holdings at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and such right shall be deemed an ongoing right which may be asserted at any time and time to time.

In addition, ISP Holdings will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at such time any stop order shall be threatened by the Commission or be in effect with respect to the Registration Statement of which this Prospectus is a part or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

Neither Exchange Offer is conditioned on any minimum principal amount of Old Notes being tendered for exchange.

**ASSISTANCE**

All executed Letters of Transmittal should be directed to the Exchange Agent. Questions and requests for assistance may be directed to the Exchange Agent as provided below under 'Exchange Agent.'

**EXCHANGE AGENT**

The Bank of New York has been appointed as Exchange Agent for the Exchange Offers. Questions, requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be directed to the Exchange Agent addressed as follows:

By Registered or Certified Mail, By Hand
or by Overnight Courier:

The Bank of New York
101 Barclay Street--7E
New York, New York 10286

Attn: Reorganization Section

By Facsimile:
(212) 571-3080

By Telephone:
(212) 815-6333

The Exchange Agent also acts as trustee under the Indentures.

**FEES AND EXPENSES**

ISP Holdings will not make any payments to brokers, dealers, or others soliciting acceptances of the Exchange Offer. The principal solicitation is being made by mail; however, additional solicitations may be made in person or by telephone by officers and employees of ISP Holdings.

The estimated cash expenses to be incurred in connection with the Exchange Offers will be paid by ISP Holdings and are estimated in the aggregate to be approximately $250,000 which includes fees and expenses of the Exchange Agent, accounting, legal, printing and related fees and expenses.

**TRANSFER TAXES**

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith, except that holders who instruct ISP Holdings to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the Exchange Offers be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax thereon.

**ACCOUNTING TREATMENT**

ISP Holdings will not recognize any gain or loss for accounting purposes upon the consummation of the Exchange Offers. The expense of the Exchange Offers will be amortized by ISP Holdings over the respective terms of the New Notes under generally accepted accounting principles.



G-I_EPA0009255

## DESCRIPTION OF THE NEW NOTES

### GENERAL

The Old 9% Notes were issued under an Indenture dated as of October 18, 1996 (the '9% Note Indenture') between ISP Holdings and the Bank of New York, as trustee (the 'Trustee'). The Old 9 3/4% Notes were issued under an Indenture dated as of October 18, 1996 (the '9 3/4% Note Indenture') between ISP Holdings and the Trustee. A copy of each of the 9% Note Indenture and the 9 3/4% Note Indenture (each individually, an 'Indenture' and together, the 'Indentures') has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. As a result of the consummation of the Spin Off Transactions, G-I Holdings and its subsidiaries, including BMCA, are no longer subsidiaries of ISP Holdings. Therefore, restrictions set forth in the Indentures with respect to

the operations of G-I Holdings and its subsidiaries, including BMCA, are no longer applicable. The New 9% Notes will be issued under the 9% Note Indenture and the New 9 3/4% Notes will be issued under the 9 3/4% Note Indenture, each of which will be qualified under the Trust Indenture Act of 1939, as amended (the 'TIA'), upon the effectiveness of the Registration Statement of which this Prospectus is a part. The form and terms of each issue of New Notes and the respective series of Old Notes are the same except that the New Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof. The following summary of certain provisions of the Indentures does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the TIA, and to all of the provisions of each Indenture including the definitions of certain terms therein and those terms made a part of such Indenture by reference to the TIA as in effect on the date of such Indenture. The definitions of certain capitalized terms used in the following summary are set forth under 'Certain Definitions.' The term '9% Notes' means the New 9% Notes and the Old 9% Notes treated as a single class. The term '9 3/4% Notes' means the New 9 3/4% Notes and the Old 9 3/4% Notes treated as a single class. The term 'Notes' means the 9% Notes and the 9 3/4% Notes, collectively. For purposes of this section, the 'Company' means ISP Holdings Inc., not including any of its Subsidiaries.

The 9% Notes will be general unsecured obligations of the Company and will rank senior to all subordinated indebtedness of the Company and pari passu in right of payment to the 9 3/4% Notes and to all other unsubordinated indebtedness of the Company. The 9 3/4% Notes will be general unsecured obligations of the Company and will rank senior to all subordinated indebtedness of the Company and pari passu in right of payment to the 9% Notes and to all other unsubordinated indebtedness of the Company. The Notes will be effectively subordinated to all secured indebtedness of the Company to the extent of the assets securing such indebtedness and to all indebtedness and other obligations of the Company's subsidiaries. See Note 8 to Consolidated Financial Statements.

### PRINCIPAL, MATURITY AND INTEREST

The 9% Notes are limited in aggregate principal amount to $325,000,000 and will mature on October 15, 2003. The 9% Notes bear interest at a rate of 9% per annum from the Issue Date. Interest is payable semiannually on each April 15 and October 15 (each, a '9% Interest Payment Date'), commencing on April 15, 1997, to the persons who are registered Holders on the immediately preceding April 1 and October 1, whether or not a business day (each, a '9% Interest Record Date'). Accrued and unpaid interest on the Old 9% Notes will be paid in cash on the first 9% Interest Payment Date to the persons who are registered Holders of 9% Notes on the 9% Interest Record Date for such 9% Interest Payment Date.

The 9 3/4% Notes are limited in aggregate principal amount to $199,871,000 and will mature on February 15, 2002. The 9 3/4% Notes bear interest at a rate of 9 3/4% per annum from the Issue Date. Interest will be payable semiannually on each February 15 and August 15 (each, a '9 3/4% Interest Payment Date'), commencing on February 15, 1997, to the persons who are registered Holders on the immediately preceding February 1 and August 1, whether or not a business day (each, a '9 3/4% Interest Record Date'). Accrued and unpaid interest on the Old 9 3/4% Notes will be paid in cash on the first 9 3/4% Interest Payment Date to the persons who are registered Holders of 9 3/4% Notes on the 9 3/4% Interest Record Date for such 9 3/4% Interest Payment Date.

If the Company defaults in a payment of interest on the Notes, it shall pay the default interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are Holders on a



G-I_EPA0009256

subsequent special record date. Such special record date shall be the fifteenth day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a business day. At least 15 days before the special record date, the Company shall mail or cause to be mailed to each Holder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

**OPTIONAL REDEMPTION**

The 9% Notes are redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

| YEAR | PERCENTAGE |
|---|---|
| 1999 | 104.5% |
| 2000 | 103.0% |
| 2001 | 101.5% |
| 2002 | 100.0% |

In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% of the principal amount of the 9% Notes then outstanding at a redemption price equal to 109% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of 9% Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

The Company also has the right to redeem all, but not less than all, of the 9% Notes upon a Change of Control. See 'Change of Control Put and Call.'

The 9 3/4% Notes are redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

| YEAR | PERCENTAGE |
|---|---|
| 1999 | 104.8750% |
| 2000 | 102.4375% |
| 2001 | 100.0000% |

In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% of the principal amount of the 9 3/4% Notes then outstanding at a redemption price equal to 109.75% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than a majority of the principal amount of 9 3/4% Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

The Company also has the right to redeem all, but not less than all, of the 9 3/4% Notes upon a Change of Control. See 'Change of Control Put and Call.'



G-I_EPA0009257

**SELECTION AND NOTICE OF REDEMPTION**

In the event that less than all of the Notes of either class are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed or, if such Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided, however, that no Notes of a principal amount of $1,000 or less shall be redeemed in part; provided, further, that if a partial redemption is made in accordance with the second or fifth paragraph under 'Optional Redemption,' selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis with the other Notes of such class or on as nearly a pro rata basis as is practicable (subject to procedures of the Depository Trust Company), unless such method is otherwise prohibited. Notice of redemption shall be mailed by first-class mail at least 30 but not more than 60 days before the redemption

date (or, if applicable, at such other time as is provided below under 'Change of Control Put and Call') to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

**CHANGE OF CONTROL PUT AND CALL**

In the event of any Change of Control, each Holder shall have the right, at such Holder's option, to require the Company to purchase all or any portion (in integral multiples of $1,000) of such Holder's Notes on the date (the 'Change of Control Payment Date') which is 25 business days after the date the Change of Control Notice (as defined below) is mailed or is required to be mailed (or such later date as is required by applicable law) at 101% of the principal amount thereof (or, if lower, the applicable redemption prices then in effect under the provisions described in the first and fourth paragraphs under '--Optional Redemption') plus accrued interest thereon to the Change of Control Payment Date.

The Company or, at the request of the Company, the Trustee shall send, by first-class mail, postage prepaid, to all Holders, within ten business days after the occurrence of each Change of Control, a notice of the occurrence of such Change of Control (the 'Change of Control Notice'), specifying a date by which a Holder must notify the Company of such Holder's intention to exercise the repurchase right and describing the procedure that such Holder must follow to exercise such right. The Company is required to deliver a copy of such notice to the Trustee.

Each Change of Control Notice shall state: (1) that the change of control offer is being made pursuant to this covenant and that all Notes of such class tendered will be accepted for payment; (2) the purchase price and the Change of Control Payment Date; (3) that any Note not tendered will continue to accrue interest; (4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the change of control offer shall cease to accrue interest after the Change of Control Payment Date; (5) that Holders electing to have a Note purchased pursuant to a change of control offer will be required to surrender the Note in accordance with the instructions set forth therein; (6) that the Company has the right, pursuant to provisions described in the next paragraph, to redeem any Notes not tendered at the Call Price (defined below); and (7) the circumstances and relevant facts regarding such Change of Control.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes of each class then outstanding, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium (the 'Call Price'). Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such

redemption, and redemption must be made within 30 days of the date of the notice.

The Company shall comply with all applicable Federal and state securities laws in connection with each Change of Control Notice.



G-I_EPA0009258

**CERTAIN DEFINITIONS**

'Acquired Debt,' with respect to any Person, means (i) Debt (including any then unutilized commitment under any revolving working capital facility) of an entity, which entity is acquired by such Person or any of its Subsidiaries after the Issue Date; provided that such Debt (including any such facility) is outstanding at the time of the acquisition of such entity, is not created in contemplation of such acquisition and is not, directly or indirectly, recourse (including by way of set-off) to such Person or its Subsidiaries or any of their respective assets other than to the entity and its Subsidiaries so acquired and the assets of the entity and its Subsidiaries so acquired, (ii) Debt of such Person that is not, directly or indirectly, recourse (including by way of set-off) to such Person and its Subsidiaries or any of their respective assets other than to specified assets acquired by such Person or its Subsidiaries after the Issue Date, which Debt is outstanding at the time of the acquisition of such assets and is not created in contemplation of such acquisition, or (iii) Refinancings of Debt described in clauses (i) or (ii), provided that the recourse with respect to such Refinancing Debt is limited to the same extent as the Debt so Refinanced.

'Additional Interest' means all additional interest owing under the Registration Rights Agreements.

'Affiliate' of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, 'control' when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms 'controlling' and 'controlled' having meanings correlative to the foregoing. For the avoidance of doubt, GAF and its Affiliates (so long as they are under common control with the Company) shall be deemed to be Affiliates of the Company.

'Applicable Premium' means, with respect to any Note, the greater of (x) 1.0% of the principal amount of such Note and (y) the excess, if any, of (a) the present value of the required remaining interest payments, principal and future optional redemption premium (if applicable) of such Note, discounted on a semi-annual bond equivalent basis from either the maturity date of the Note or the optional redemption date to the applicable redemption date at a per annum interest rate equal to the Treasury Yield for such redemption date plus 100 basis points, over (b) the sum of the principal amount of such Note plus accrued and unpaid interest to the redemption date.

'Asset Sale' means, with respect to any Person, the sale, lease, assignment or other disposition (including, without limitation, dispositions pursuant to any consolidation, merger or sale and leaseback transaction) by such Person or any of its Subsidiaries in any single transaction or series of related transactions of (x) any Capital Stock of any Subsidiary of such Person or (y) all or substantially all of the properties and assets of any division or line of business of such Person or any of its Recourse Subsidiaries, in either case, other than by the Company or any of its Subsidiaries to the Company or any of its Subsidiaries. For the purposes of this definition, the term 'Asset Sale' shall not include (A) any sale, lease, assignment or other disposition of properties or assets that is governed by the provisions described under '--Merger, Etc.,' (B) any sale, lease, assignment or other disposition by a Person that has outstanding Long-Term Debt all of which (x) are rated BBB- or higher by S&P and are not on credit watch by S&P for a possible downgrade below BBB- or (y) are rated Baa3 or higher by Moody's and are not on credit watch by Moody's for a possible downgrade below Baa3, or (C) any sale of Common Stock the proceeds of which are used pursuant to the provisions described in the second or fifth paragraph under '-- Optional Redemption.'

'Average Life' means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from the date of the transaction or event giving rise to the need to calculate the Average Life of such Debt to the date, or dates, of each successive scheduled principal payment of such Debt multiplied by (b) the amount of each such principal payment by (ii) the sum of all such principal payments.



G-I_EPA0009259

'Bankruptcy Law' means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

'Board of Directors' of any Person means the Board of Directors or similar governing body of such Person, or any duly authorized committee of such Board of Directors or similar governing body.

'Board Resolution' means, with respect to the Board of Directors of any Person, a copy of a resolution certified by the Secretary or Assistant Secretary of such Person to have been duly adopted by such Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

'BMCA' means Building Materials Corporation of America, a Delaware corporation, and its successors.

'Capitalized Lease Obligation' means any rental obligation that, in accordance with GAAP, is required to be classified and accounted for as a capitalized lease and the amount of Debt represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due in respect of such obligation.

'Capital Stock' of any Person means any and all shares, interests

(including partnership interests), warrants, rights, options or other interests, participations or other equivalents of or interests in (however designated) equity of such Person, including Common Stock or Preferred Stock, whether now outstanding or issued after the Issue Date, but excluding any debt securities convertible into or exchangeable for such equity.

'Cash Equivalents' means (i) marketable direct obligations Issued by, or unconditionally Guaranteed by, the United States Government or Issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations Issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (iv) certificates of deposit or bankers' acceptances maturing no more than one year from the date of acquisition thereof Issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital surplus of not less than $250,000,000, (v) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above and (vi) investments in money market funds having assets in excess of $500,000,000 and which invest substantially all their assets in securities of the types described in clauses
(i) through (v) above.

'Change of Control' means the occurrence of any of the following events:

(i) prior to the first public offering of Voting Stock of the Company, the Permitted Holders cease to be the 'beneficial owner' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of majority voting power of the Voting Stock of the Company, whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (i) and clauses (ii) and (iv) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the 'specified corporation') held by any other corporation (the 'parent corporation') so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, a majority of the Voting Stock of the parent corporation);

(ii) any 'Person' (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (i) above, except that a Person shall be deemed to have 'beneficial ownership' of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the Voting Stock of the Company, but only if the Permitted Holders beneficially own (as defined in clause (i) above), directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the

Company than such other Person and do not have the right or ability by voting

power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;

(iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or its predecessor (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company or its predecessor was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

(iv) either (x) the Permitted Holders or (y) the Company ceases, for any reason, to be the beneficial owner (as defined in clause (i) above), directly or indirectly, of majority voting power of the Voting Stock of ISP, whether as a result of issuance of securities, any merger, consolidation, liquidation or dissolution, any direct or indirect transfer of securities by any Permitted Holder or otherwise.

'Commission' means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

'Common Stock' of any Person means any and all shares, interests, participations, or other equivalents (however designated) of such Person's common stock whether now outstanding or issued after the Issue Date.

'Consolidated EBITDA Coverage Ratio' means, with respect to any Person, for any period, the ratio of (i) EBITDA of such Person for such period to (ii) Consolidated Interest Expense of such Person for such period; provided, however, that (A) if such Person or any of its Subsidiaries has Issued any Debt or Capital Stock since the beginning of such period that remains outstanding on the date such calculation is made or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an Issuance of Debt or Capital Stock, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect, on a pro forma basis, to the issuance of such Debt or Capital Stock as if such Debt or Capital Stock had been Issued on the first day of such period and the discharge of any other Debt or Capital Stock Refinanced or otherwise discharged with the proceeds of such new Debt or Capital Stock as if such discharge had occurred on the first day of such period; (B) if since the beginning of such period such Person or any of its Subsidiaries shall have made any asset sale out of the ordinary course of business, EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such asset sale for

such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt or Capital Stock of such Person or any Subsidiary of such Person and the amount of any other Debt or Capital Stock Refinanced or otherwise discharged with respect to such Person and its continuing Subsidiaries (including as a result of the assumption of such Debt or Capital Stock by the purchaser of such assets, provided that such Person or any of its Subsidiaries is no longer liable therefor) in connection with such asset sale for such period (or if the Capital Stock of any Subsidiary of such Person is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent such Person and its continuing Subsidiaries are no longer liable for such Debt after such sale) (it being understood that the Spin Off shall be considered an asset sale out of the ordinary course of business for purposes of this clause (B)); and (C) if since the beginning of the period such Person or any of its Subsidiaries (by merger or otherwise) shall have made an Investment in any Subsidiary of such Person (or any Person which becomes a Subsidiary of such Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Person with respect to which the calculation is being made. If any Debt or Capital Stock bears a floating rate of interest or dividends and is being given pro forma effect, the interest on such Debt and the dividends on such Capital Stock shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.



G-I_EPA0009261

'Consolidated Interest Expense' means with respect to any Person, for any period, the sum of (a) the interest expense of such Person and its consolidated Subsidiaries (other than interest expense related to Non-Recourse Debt) for such period as determined in accordance with GAAP consistently applied, plus (b) the product of (x) the amount of all dividends paid or accrued on any series of preferred stock of such Person (other than non-Redeemable Stock) and its Recourse Subsidiaries times (y) a fraction, the numerator of which is one and the denominator of which is one minus the effective combined consolidated federal, state and local tax rate of such Person, expressed as a decimal.

'Consolidated Net Income (Loss)' means with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its consolidated Subsidiaries for such period as determined in accordance with GAAP, adjusted to the extent included in calculating such net income (or loss), by excluding (i) all extraordinary gains in such period net of all extraordinary losses in such period; (ii) net income (or loss) of any other Person attributable to any period prior to the date of combination of such other Person with such Person or any of its Subsidiaries on a 'pooling-of-interests' basis;
(iii) net gains or losses in respect of dispositions of assets by such Person or

any of its Subsidiaries (including pursuant to a sale-and-leaseback arrangement) other than in the ordinary course of business; (iv) the net income (loss) of any Subsidiary of such Person (other than, in calculating the consolidated net income (loss) of the Company, the consolidated net income (loss) of ISP) to the extent that the declaration of dividends or distributions by that Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Subsidiary or its shareholders; (v) the net income (or net loss) of any other Person that is not a Subsidiary of the first Person with respect to which Consolidated Net Income is being calculated (the 'first Person') and in which any other Person (other than such first Person and or any of its Subsidiaries) has an equity interest or of a Non-Recourse Subsidiary of such first Person, except to the extent of the amount of dividends or other distributions actually paid or made to such first Person or any of its Subsidiaries by such other Person during such period (subject in the case of a dividend or distribution received by a Subsidiary of such first Person, to the limitations contained in clause (iv) above); (vi) any interest income resulting from loans or investments in Affiliates, other than cash interest income actually received; (vii) charges relating to the Transactions or the offering of the 10% Notes and (viii) the cumulative effect of a change in accounting principles.

'Consolidated Net Worth' of any Person means, at any date, all amounts that would, in conformity with GAAP, be included under shareholders' equity on a consolidated balance sheet of such Person as at such date less (to the extent otherwise included therein) any amounts attributable to Redeemable Stock.

'Credit Agreement' means the credit agreement, dated as of July 26, 1996, among ISP, certain of its Subsidiaries, the financial institutions named therein and The Chase Manhattan Bank, as agent thereunder, as the same may be amended or supplemented.

'Custodian' means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

'Debt' of any Person means, without duplication, (i) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable (other than those payable to government agencies to defer the payment of workers' compensation liabilities, taxes, assessments or other obligations, and provided in the ordinary course of business of such Person); (ii) all Capital Lease Obligations of such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following

payment on the letter of credit); (v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such



G-I_EPA0009262

Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

'Default' means any event which is, or after notice or passage of time or both would be, an Event of Default.

'EBITDA' means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period, adjusted to the extent deducted in calculating such Consolidated Net Income by adding back (without duplication): (i) income tax expense of such Person and its Subsidiaries accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary items or other items excluded from the definition of Consolidated Net Income), (ii) Consolidated Interest Expense of such Person, (iii) depreciation expense, (iv) amortization expense and (v) minority interest in any Recourse Subsidiary that is not a Wholly-Owned Subsidiary but is otherwise consolidated in the financial statements of such Person, but only so long as such Subsidiary is consolidated with such Person for such period for U.S. federal income tax purposes.

'Exchange Act' means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission thereunder.

'Existing Management Agreement' means the Amended and Restated Management Agreement dated as of March 3, 1992 by and among GAF and certain of its Subsidiaries as amended through the Issue Date.

'Generally Accepted Accounting Principles' or 'GAAP' means generally acceptable accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

'GAF' means GAF Corporation, a Delaware corporation, and its successors.

'Granules Contracts' means (i) the Supply Agreement dated as of January 1, 1995 between ISP Technologies Inc. and BMCA, as amended by amendment dated as of December 31, 1995, and (ii) the letter dated November 9, 1995 from ISP Mineral Products Inc. to USI.

'Guarantee' by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation,

contingent or otherwise, of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of participation arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring the obligee of such Debt or other obligation in any other manner of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided, however, that the term 'guarantee' shall not include endorsements for collection or deposit in the ordinary course of business. The term 'Guarantee' used as a verb has a corresponding meaning.

'Incur' means incur, create, assume, Guarantee or otherwise become liable; and the terms 'incurred' and 'incurrence' having meanings correlative to the foregoing.

'Investment' means any direct or indirect advance, loan (other than advances or loans to customers in the ordinary course of business, which are recorded, in accordance with GAAP, at the time made as accounts receivable on the balance sheet of the Person making such advance or loan) or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities Issued by, any other Person.

'ISP' means International Specialty Products Inc., a Delaware corporation, and its successors.

**'ISP Subsidiaries' means ISP and its Subsidiaries.**



G-I_EPA0009263

'Issue' means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Issued by such Subsidiary at the time it becomes a Subsidiary of such other Person.

'Issue Date' means the date of original issuance of the Old Notes.

'Lien' means any lien, mortgage, charge, pledge, security interest, or other encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

'Linden Dividend' means the payment of a dividend or distribution in respect of the Company's Common Stock of the assets comprising the Linden Property or of the shares of Capital Stock of a Subsidiary of the Company all or substantially all of the assets of which consist of the Linden Property.

'Linden Property' means that property consisting of approximately 140 acres

(40 acres developed) located in Union County, New Jersey at the foot of South Wood Avenue, Linden and owned by ISP Environmental Services Inc., which is the site of a former chemicals manufacturing facility of ISP.

'Long-Term Debt' of any Person means outstanding long-term debt securities of such Person (or, in the event that such Person has no outstanding long-term debt securities, a credit facility of such Person) that (i) is unsecured, (ii) not subordinated in right of payment to any other Debt of such Person and (iii) is not guaranteed and does not have credit support provided by any other Person (other than, in the case of Long-Term Debt of any ISP Subsidiary, any ISP Subsidiary).

'Moody's' means Moody's Investors Service, Inc. or its successor.

'Net Cash Proceeds' means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents, received by the Company or any of its Subsidiaries from such Asset Sale net of
(a) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions), (b) taxes paid or payable ((1) including, without limitation, income taxes reasonably estimated to be actually payable as a result of any disposition of property within two years of the date of disposition, including under any tax sharing arrangements, and (2) after taking into account any reduction in tax liability due to available tax credits or deductions applicable to the transaction), (c) a reasonable reserve for the after-tax cost of any indemnification obligations (fixed and/or contingent) attributable to seller's indemnities to the purchaser undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale and (d) repayment of Debt that is required to be repaid in connection with such Asset Sale, under agreements governing such Debt or Asset Sale.

'New Management Agreement' means the Existing Management Agreement as amended to add the Company as a party thereto.

'Non-Recourse Debt' of any Person means Debt or the portion of Debt (i) as to which neither GAF, the Company nor any of its Recourse Subsidiaries (A) provides credit support (including any undertaking, agreement or instrument which would constitute Debt), (B) is directly or indirectly liable or (C) constitutes the lender and (ii) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against the assets of a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of such Person or its Recourse Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

'Non-Recourse Subsidiary' of any Person means a Subsidiary (A) which has been designated as such by the Board of Directors of such Person, (B) which has not acquired any assets directly or indirectly from GAF, the Company or any of its Subsidiaries other than at fair market value, including by the receipt of Capital Stock of such Non-Recourse Subsidiary, provided, however, that if any such acquisition or series of related acquisitions involves assets having a value in excess of $2,000,000, such acquisition or series of related acquisitions shall be approved by a majority of the members of the Board of

Directors of the Company in a Board Resolution which shall set forth that such acquisitions are being, or have been, made at fair market value, and (C) which has no Debt other than Non-Recourse Debt. Subsidiaries of Non-Recourse Subsidiaries shall be deemed Non-Recourse Subsidiaries.



G-I_EPA0009264

'Obligations' means (a) the full and punctual payment of the principal of, and interest on, the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance of all other obligations of the Company under the Indenture and the Notes.

'Permitted Holders' means (i) Samuel J. Heyman, his heirs, administrators, executors and entities of which a majority of the Voting Stock is owned by Samuel J. Heyman, his heirs, administrators or executors and (ii) any Person controlled, directly or indirectly, by Samuel J. Heyman or his heirs, administrators or executors.

'Permitted Lien' means:

(1) Liens for taxes, assessments and governmental charges to the extent not required to be paid under the Indenture;

(2) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by an appropriate process of law, and for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(3) pledges or deposits in the ordinary course of business to secure lease obligations or non-delinquent obligations under workers' compensation, unemployment insurance or similar legislation;

(4) Liens to secure the performance of public statutory obligations that are not delinquent, appeal bonds, performance bonds or other obligations of a like nature (other than for borrowed money);

(5) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole;

(6) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of nondelinquent customs duties in connection with the importation of goods;

(7) judgment and attachment Liens not giving rise to a Default or Event of Default;

(8) leases or subleases granted to others not interfering in any

material respect with the business of the Company and its Subsidiaries, taken as a whole;

(9) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(10) any interest or title of a lessor in the property subject to any lease, whether characterized as capitalized or operating other than any such interest or title resulting from or arising out of default by the Company or any of its Subsidiaries of its obligations under any such lease which is material;

(11) Liens arising from filing UCC financing statements for precautionary purposes in connection with true leases or conditional sales of personal property that are otherwise permitted under the Indenture and under which the Company or any of its Subsidiaries is lessee;

(12) broker's Liens securing the payment of commissions and management fees in the ordinary course of business;

(13) Liens on cash and Cash Equivalents posted as margin pursuant to the requirements of any bona fide hedge agreement relating to interest rates, foreign exchange or commodities listed on public exchanges, but only to the extent such Liens are required from customers generally (regardless of creditworthiness) in accordance with customary market practice;

(14) Liens on cash collateralizing reimbursement obligations in respect of letters of credit issued for the account of the Company or any of its Subsidiaries in the ordinary course of business (other than letters of credit issued as credit support for any Debt);

(15) Liens arising in respect of accounts receivable arising as a result of non-recourse sales thereof;

(16) Liens arising by reason of consignment sales of inventory in the ordinary course of business; and

(17) Liens on stock or assets of any Non-Recourse Subsidiary securing Debt owing by such Non-Recourse Subsidiary.

'Person' means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

'Preferred Stock,' as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is

preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation. Preferred Stock of any Person shall include Redeemable Stock of such Person.

'Purchase Money Obligation' of any Person means any Debt secured by a Lien on assets related to the business of such Person, and any additions and accessions thereto or replacements thereof, which are purchased or constructed by such Person at any time after the Issue Date; provided, however, that (i) the aggregate outstanding principal amount of such Debt (determined on a per asset basis in the case of any additions, accessions or replacements) shall not at any time exceed 100% of the purchase price to such Person of the related assets or (ii) such Debt shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto or replacements thereof and any proceeds therefrom.

'Ratings Event' means any of the following:

(i) the rating of ISP's Long-Term Debt being below Baa3 (in the case of the rating by Moody's) and below BB+ (in the case of the rating by S&P); or

(ii) at any time that ISP's Long-Term Debt is rated below Baa3 by Moody's, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below BB+ by S&P; or

(iii) at any time that ISP's Long-Term Debt is rated below BB+ by S&P, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below Baa3 by Moody's.

'Recourse Subsidiaries,' of any Person, means all Subsidiaries of such Person other than Non-Recourse Subsidiaries of such Person.

'Redeemable Stock' means, with respect to any Person, Capital Stock of such Person that by its terms or otherwise (x) is required, directly or indirectly, to be redeemed on or prior to the ninetieth day after the Stated Maturity of the applicable Notes, (y) is redeemable or puttable, directly or indirectly, at the option of the holder thereof at any time on or prior to the ninetieth day after the Stated Maturity of the applicable Notes, or (z) is exchangeable or convertible into another security (other than a security that is not itself Redeemable Stock).

'Refinance' means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Debt in exchange or replacement for, such Debt. 'Refinanced' and 'Refinancing' shall have correlative meanings.

'Refinancing Debt' means Debt Issued to Refinance, any other Debt; provided, however, that (i) the amount of the Debt so Issued shall not exceed the principal amount or the accreted value (in the case of Debt Issued at a discount) of the Debt so Refinanced plus, in each case, the reasonable costs incurred by the issuer in connection with such Refinancing, (ii) the Average Life and Stated Maturity of the Debt so Issued shall equal or exceed that of the

Debt so Refinanced, (iii) the Debt so Issued shall not rank senior in right of payment to the Debt being Refinanced, (iv) if the Debt being Refinanced does not bear interest in cash prior to a specified date, the Refinancing Debt shall not bear interest in cash prior to such specified date, (v) if the Debt being Refinanced is a Purchase Money Obligation, the Refinancing Debt shall not be secured by any assets not securing the Debt so Refinanced or improvements or additions thereto, or replacements thereof, and (vi) the obligors with respect to the Refinancing Debt shall not include any persons who were not obligors (including predecessors thereof) with respect to the Debt being Refinanced.



G-I_EPA0009266

'Restricted Investment' means, with respect to the Company or any of its Subsidiaries, an Investment by such Person in an Affiliate of the Company; provided, however, that the following shall not be Restricted Investments:

(a) any Investment by the Company or any ISP Subsidiary in any Unrestricted Affiliate; and

(b) any Investment by the Company or any of its Subsidiaries in (x) the Company or any of its Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of the Company.

'Restricted Payment' means (i) the declaration or making of any dividend or of any other payment or distribution (other than dividends, payments or distributions payable solely in shares of the Company's Capital Stock other than Redeemable Stock) on or with respect to the Company's Capital Stock (other than Redeemable Stock) and (ii) any payment on account of the purchase, redemption, retirement or other acquisition for value of the Company's Capital Stock (other than Redeemable Stock); provided, however, that the Linden Dividend shall not be deemed to be a Restricted Payment.

'Restricted Security' has the meaning set forth in Rule 144(a)(3) under the Securities Act.

'S&P' means Standard & Poor's Rating Services or its successor.

'Securities Act' means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission thereunder.

'Significant Subsidiary' means (i) any Recourse Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 5% of the Company's total assets on a consolidated basis as of such date, in each case determined in accordance with GAAP, or (B) had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 5% of the Company's total revenues on a consolidated basis for such period, or (ii) any Recourse Subsidiary of the Company which, if merged with all Defaulting Subsidiaries (as defined below) of the Company, would at the time of determination either (A)

have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with GAAP). 'Defaulting Subsidiary' means any Recourse Subsidiary of the Company with respect to which an event described under clause (6), (7), or (8) under 'Events of Default' has occurred and is continuing.

'Specified Agreements' means (i) the Tax Sharing Agreements (but, after a company leaves the applicable consolidated group, only with respect to the indemnities that survive thereunder), (ii) the Existing Management Agreement and the New Management Agreement, (iii) the Granules Contracts and (iv) the Indemnification Agreement and other similar indemnification agreements in effect prior to the Issue Date.

'Specified Subsidiaries' means Subsidiaries of the Company other than ISP Subsidiaries.

'Spin Off' means the consummation of the transactions described under '--The Spin Off Transactions,' substantially on the terms described therein.

'Stated Maturity' when used with respect to any Senior Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and when used with respect to any other Debt, means the date specified in the instrument governing such Debt as the fixed date on which the principal of such Debt or any installment of interest is due and payable.

'Subsidiary' means, with respect to any Person at any time of determination, (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of



G-I_EPA0009267

determination thereof has at least majority ownership interest and the power to direct the policies, management and affairs thereof. For purposes of this definition, any director's qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

'Tax Sharing Agreements' means, collectively, the tax sharing agreements described under 'Tax Sharing Agreement.'

'TIA' means the Trust Indenture Act of 1939, as amended, as in effect on

the date hereof.

'Treasury Yield' means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days prior to the applicable redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining Average Life of the applicable Notes; provided, however, that if the Average Life of such Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the average life of such Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

'Unrestricted Affiliate' means any Person (other than any Subsidiary of the Company) controlled (as defined in the definition of 'Affiliate') by the Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) any director or officer of the Company or any of its Subsidiaries (so long as such Person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (iii) another Unrestricted Affiliate under this paragraph (a)) has an Investment.

'U.S. Government Obligations' means money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged.

'USI' means U.S. Intec, Inc., a Texas corporation, and its successors.

'Voting Stock' means, with respect to any Person, Capital Stock of any class or kind normally entitled to vote in the election of the board of directors or other governing body of such Person.

'Wholly-Owned Recourse Subsidiary' of any Person means a Wholly-Owned Subsidiary of such Person that is a Recourse Subsidiary of such Person.

'Wholly-Owned Subsidiary' means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the applicable corporation or another Wholly-Owned Subsidiary of the applicable corporation.

**CERTAIN CALCULATIONS**

All financial calculations shall be made as if the Spin Off occurred as of the Issue Date.

**CERTAIN COVENANTS**

Each Indenture contains, among others, the following covenants:

Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries. (a) The Company shall not Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Company for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) The Company shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii)



G-I_EPA0009268

the Consolidated EBITDA Coverage Ratio of ISP for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(c) Notwithstanding the foregoing, the Company and ISP Subsidiaries may Issue the following:

(1) Debt Issued pursuant to the Credit Agreement or any Refinancing Debt thereof in an aggregate principal amount outstanding at any time not to exceed $500,000,000;

(2) Debt or Preferred Stock of the Company or any of its Subsidiaries Issued to and held by (i) ISP or any of its Wholly-Owned Recourse Subsidiaries, or (ii) the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of ISP or of the Company that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of ISP or of the Company, as the case may be, shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by the Company or such ISP Subsidiary, as the case may be;

(3) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed $30,000,000;

(4) Acquired Debt;

(5) Debt outstanding on the Issue Date (including, without limitation, the Old Notes) and the New Notes;

(6) Refinancing Debt Issued to Refinance any Debt permitted by clauses
(2)-(5) above;

(7) Non-Recourse Debt of a Non-Recourse Subsidiary of ISP and (y)

Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of ISP which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(8) Preferred Stock (other than Redeemable Stock) of the Company;

(9) so long as no Default or Event of Default has occurred and is continuing and no Ratings Event has occurred and is continuing, Debt of any ISP Subsidiary; and

(10) Debt (other than Debt described in clauses (1) through (7) and
(9) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(d) To the extent the Company or any ISP Subsidiary Guarantees any Debt of the Company or any ISP Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If the Company or an ISP Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes an ISP Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Limitation on Debt and Preferred Stock of Specified Subsidiaries. (a) The Company shall not permit any Specified Subsidiary (so long as such Specified Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Specified Subsidiaries (determined on a combined basis) for its most recently completed four consecutive fiscal quarter period ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, Specified Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any Specified Subsidiary Issued to and held by any Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) such Wholly-Owned Recourse Subsidiary ceasing to be a Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or of the Company, as the case may be, shall, in each

case, be deemed to constitute the Issuance of such Debt or such Preferred Stock by such Specified Subsidiary;

(2) Purchase Money Obligations in an aggregate amount outstanding at any time not to exceed $50,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses (1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of any Specified Subsidiary and (y) Guarantees of Non-Recourse Debt of Non-Recourse Subsidiaries which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses (1)-(6) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(c) To the extent any Specified Subsidiary Guarantees any Debt of any other Specified Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If a Specified Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes a Specified Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Prohibition on Debt and Capital Stock of Intermediate Parents of ISP. Notwithstanding paragraphs (a) and (b) of the 'Limitation on Debt and Preferred Stock of Specified Subsidiaries' covenant the Company shall not permit any of its Subsidiaries (other than, subject to the 'Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries' covenant, ISP Subsidiaries) that, directly or indirectly, owns any Capital Stock or Debt of any ISP Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries or (y) the Company.

Limitation on Restricted Payments and Restricted Investments. (a) The Company shall not make, and shall not permit any of its Subsidiaries to make, directly or indirectly, any Restricted Payment or Restricted Investment at any time on or after the Issue Date if, at the time of such Restricted Payment or Restricted Investment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to incur at least $1.00 of additional Debt under paragraph (a) of the 'Limitation on Debt and Capital Stock of the Company and ISP Subsidiaries' covenant; or

(3) the aggregate amount of Restricted Payments made since June 30, 1996 (the 'Applicable Date') and the aggregate amount of Restricted Investments made since the Applicable Date and then outstanding (the amount expended for such purposes, if other than in cash, shall be the fair market value of such property as determined by the Board of Directors of the

Company in good faith as of the date of payment or investment) shall exceed the sum of:

(i) 50% of the cumulative Consolidated Net Income (or minus 100% of the cumulative Consolidated Net Loss) of the Company accrued during the period beginning on the Applicable Date and ending on the last day of the fiscal quarter for which financial information has been made publicly available by the Company but ending no more than 135 days prior to the date of such Restricted Payment or Restricted Investment (treating such period as a single accounting period);

(ii) 100% of the net cash proceeds, including the fair market value of property other than cash as determined by the Board of Directors of the Company in good faith, as evidenced by a Board Resolution, received by the Company from any Person (other than a Subsidiary of the Company) from the Issuance and sale subsequent to the Applicable Date of Capital Stock of the Company (other than Redeemable Stock) or as a capital contribution;



G-I_EPA0009270

(iii) 100% of the net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the exercise of options or warrants on Capital Stock of the Company (other than Redeemable Stock);

(iv) 100% of the net cash proceeds received by the Company from the conversion into Capital Stock (other than Redeemable Stock) of convertible Debt or convertible Preferred Stock issued and sold (other than to a Subsidiary of the Company) since the Applicable Date; and

(v) $30,000,000.

The designation by the Company or any of its Subsidiaries of a Subsidiary as a Non-Recourse Subsidiary shall be deemed to be the making of a Restricted Investment by the Company in an amount equal to the outstanding Investments made by the Company and its Subsidiaries in such person being designated a Non- Recourse Subsidiary at the time of such designation.

(b) The foregoing paragraph (a) shall not prevent the following, as long as no Default or Event of Default shall have occurred and be continuing (or would result therefrom other than pursuant to paragraph (a)):

(1) the making of any Restricted Payment or Restricted Investment within 60 days after (x) the date of declaration thereof or (y) the making of a binding commitment in respect thereof; provided that at such date of declaration or commitment such Restricted Payment or Restricted Investment complied with paragraph (a); or

(2) any Restricted Payment or Restricted Investment made out of the net cash proceeds received by the Company from the substantially concurrent sale of its Common Stock (other than to a Subsidiary of the Company);

provided, however, that such net cash proceeds so utilized shall not be included in paragraph (a)(3) in determining the amount of Restricted Payments or Restricted Investments the Company could make under paragraph
(a), and Restricted Payments or Restricted Investments made pursuant to this clause (2) shall not be included in determining the amount of Restricted Payments or Restricted Investments made or then outstanding under paragraph (a)(3); or

(3) repurchases of Capital Stock of the Company, in each case from employees of the Company or any of its Subsidiaries (other than any Permitted Holder); provided, however, that the aggregate amount of Restricted Payments made under this clause shall not exceed $3,000,000 in any fiscal year; provided, further, however, that the amount of Restricted Payments made pursuant to this clause (3) shall not be included in determining the amount of Restricted Payments made under paragraph (a)(3).

Limitation on Liens. (a) The Company shall not, and shall not permit any of its Specified Subsidiaries to, directly or indirectly, incur or suffer to exist any Liens (other than Permitted Liens) upon their respective properties or assets whether owned on the Issue Date or acquired after such date, or on any income or profits therefrom, other than the following:

(1) Liens securing intercompany Debt permitted by paragraph (b)(1) under the 'Limitation on Debt and Capital Stock of Specified Subsidiaries' covenant;

(2) Liens existing on the Issue Date;

(3) Purchase money Liens on assets of the Company and its Specified Subsidiaries or improvements or additions thereto existing or created within 180 days after the time of acquisition of or improvement or addition to such assets, or replacements thereof; provided that (i) such acquisition, improvement or addition is otherwise permitted by the applicable Indenture, (ii) the principal amount of Debt (including Debt in respect of Capitalized Lease Obligations) secured by each such Lien in each asset shall not exceed the cost (including all such Debt secured thereby, whether or not assumed) of the item subject thereto, and such Liens shall attach solely to the particular item of property so acquired, improved or added, and any additions or accessions thereto, or replacements thereof, and (iii) the aggregate amount of Debt secured by Liens permitted by this clause (3) shall not at any one time exceed $50,000,000;

(4) Liens securing Acquired Debt; provided, however, that (i) any such Lien secured the Acquired Debt at the time of the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries and such Lien and Acquired Debt were not incurred by the Company or any of its Specified Subsidiaries or

by the Person being acquired or from whom the assets were acquired in connection with, or in anticipation of, the incurrence of such Acquired

Debt by the Company or by one of its Specified Subsidiaries, and (ii) any such Lien does not extend to or cover any property or assets of the Company or of any of its Specified Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Debt became Acquired Debt of the Company or of one of its Specified Subsidiaries;

(5) Liens to secure Refinancing of any Debt secured by Liens described in clauses (1)-(4) above and (6) below; provided that (i) the Refinancing does not increase the principal amount of Debt being so Refinanced and (ii) the Lien of the Refinancing Debt does not extend to any asset not securing the Debt being Refinanced or improvements or additions thereto, or replacements thereof; and

(6) Liens on assets of the Company and its Specified Subsidiaries (other than the Liens described above), provided that such Liens only secure Debt of the Company and its Specified Subsidiaries in an aggregate amount not to exceed at any one time outstanding $50,000,000.

Prohibition on Certain Transactions. The Company shall not, and shall not permit any of its Subsidiaries to, enter, directly or indirectly, into, or suffer to exist, any transaction or series of transactions (including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service) with GAF or any of its Subsidiaries. The foregoing shall not prohibit any transaction permitted by paragraph (b)(5) or (c) under the 'Limitation on Transactions with Affiliates' covenant.

Limitation on Transactions with Affiliates. (a) The Company shall not enter, and shall not permit any of its Subsidiaries to enter, directly or indirectly, into any transaction or series of related transactions with any Affiliate of the Company, including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service, unless the terms of such transaction or series of transactions are set forth in writing and at least as favorable as those available in a comparable transaction in arms-length dealings from an unrelated Person; provided, however, that (i) if any such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $2,000,000, such transaction or series of related transactions shall be approved (and the value of any non-cash consideration shall be determined) by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions; and (ii) in the event that such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $20,000,000 (with the value of any non-cash consideration being determined by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions), the Company or such Subsidiary, as the case may be, shall have also received a written opinion from a nationally recognized investment banking firm that such transaction or series of related transactions are fair to the shareholders, in their capacity as such, of the Company or such Subsidiary from a financial point of view and such opinion has been delivered to the Trustee; provided, further, in the event

that the Board of Directors of the Company or the Subsidiary, as the case may be, proposing to engage in a transaction or series of related transactions described in the preceding proviso does not have any members having no personal stake in such business, transaction or transactions, the Company or such Subsidiary may enter into such transaction or series of transactions if the Company or such Subsidiary, as the case may be, shall have received the written opinion of a nationally recognized investment banking firm that the terms thereof, from a financial point of view, are fair to the shareholders of the Company or such Subsidiary, in their capacity as such (the determination as to the value of any non-cash consideration referred to in the preceding proviso to be made by such investment banking firm), and such opinion shall have been delivered to the Trustee.

(b) The foregoing paragraph (a) shall not prevent the following:

(1) any transaction between a Subsidiary of the Company and its own employee stock ownership or benefit plan;

(2) any transaction with an officer or director of the Company or any of its Subsidiaries entered into in the ordinary course of business (including compensation or employee benefit arrangements with any such officer or director);

(3) any business or transaction by an ISP Subsidiary or the Company with an Unrestricted Affiliate;

(4) transactions permitted by the 'Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries' covenant;

(5) payments made or actions taken pursuant to any of the Specified Agreements (or any new agreement referred to in paragraph (c) below), as any such Specified Agreement (or new agreement) is, subject to paragraph
(c) below, amended, modified, extended or waived from time to time;

(6) the making of a Restricted Payment or Restricted Investment otherwise permitted by paragraph (a) of the 'Limitation on Restricted Payments and Restricted Investments' covenant or those transactions specifically permitted by paragraph (b) of the 'Limitation on Restricted Payments and Restricted Investments' covenant;

(7) (i) transactions between or among Non-Recourse Subsidiaries of ISP, and (ii) transactions between or among Non-Recourse Subsidiaries of any Specified Subsidiary; or

(8) (i) so long as ISP is a Recourse Subsidiary of the Company, transactions between or among ISP, its Recourse Subsidiaries and the Company, and (ii) transactions between or among any Specified Subsidiary and its Recourse Subsidiaries.

(c) The Company will not, and will not permit any of its Subsidiaries to amend, modify, extend or waive any provision of any of the Specified Agreements in any manner which is significantly adverse to the Company or the Holders (it being understood that an extension or modification of either of the Granules Contracts (or any similar granules purchase contract) on terms at least as favorable to the Company as those available at the time of the extension or modification (or any such new agreement) in a comparable transaction in arms-length dealings with an unrelated Person shall not be deemed significantly adverse to the Company or the Holders).

Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries. The Company shall not, and shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a Subsidiary of the Company) to, make Investments in Non-Recourse Subsidiaries of ISP if, after giving effect thereto, the cumulative aggregate amount (the amount so expended, if other than in cash, to be determined by the Board of Directors of ISP, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, made by the Company and ISP Subsidiaries would exceed 20% of the Consolidated Net Worth of ISP.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company shall not, and shall not permit any of its Recourse Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or pay any Debt owed to the Company or any of its Subsidiaries, (b) make loans or advances to, or Issue any Guarantee for the benefit of, the Company or any of its Subsidiaries, (c) transfer any of its properties or assets to the Company or any of its Subsidiaries or (d) incur or suffer to exist Liens in favor of the Holders, except for such encumbrances or restrictions existing under or by reason of the following:

(1) applicable law;

(2) the Indentures;

(3) customary provisions restricting subletting or assignment of any lease or license or other commercial agreement;

(4) any instrument governing Acquired Debt of any Person, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than such Person and its Subsidiaries, or the property or assets of such Person and its Subsidiaries, so acquired;

(5) Liens specifically permitted by the 'Limitation on Liens' covenant; provided that such Liens and the terms governing such Liens do not, directly or indirectly, restrict the Company or its Subsidiaries from granting other Liens, except as to the assets subject to such Liens;

(6) the Credit Agreement or other Debt existing on the Issue Date and any Refinancing of the Credit Agreement or any such other Debt; provided that the terms and conditions of any such Refinancing

agreements relating to the terms described under clauses (a)-(d) above are no less favorable to the Company and its Subsidiaries than those contained in the agreements governing the Debt being Refinanced; and

(7) covenants contained in agreements governing Debt of ISP Subsidiaries; provided, however, that such covenants shall not prohibit the ISP Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) $25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of ISP for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by ISP Subsidiaries since such date.

Limitation on Asset Sales. (a) The Company shall not, and shall not permit any of its Subsidiaries, directly or indirectly, to consummate an Asset Sale unless:

(1) the Company or such Subsidiary, as the case may be, receives consideration (including non-cash consideration, whose fair market value shall be determined in good faith by the Board of Directors of the Company or such Subsidiary, as evidenced by a Board Resolution) at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Board of Directors, as evidenced by a Board Resolution);

(2) at least 75% of the consideration received by the Company or such Subsidiary, as the case may be, shall be cash or Cash Equivalents; provided, however, that this clause (2) shall not prohibit any Asset Sale for which the Company or such Subsidiary, as the case may be, receives 100% of the consideration, directly or through the acquisition of Capital Stock of a Person, in operating assets; and

(3) in the case of an Asset Sale by the Company or any of its Subsidiaries, the Company or such Subsidiary, as the case may be, shall apply the Net Cash Proceeds of such Asset Sale within one year of receipt thereof, (i) to invest in the businesses that the Company and its Recourse Subsidiaries are engaged in at the time of such Asset Sale or any like or related business, (ii) to pay or satisfy Debt or Preferred Stock of the Company or such Subsidiary, as the case may be, and/or (iii) to offer to purchase the Notes (on a pro rata basis) in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, however, that the Company may defer making any such offer until the aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to clause (3)(iii) equal or exceed $20,000,000; provided, further, however, that (i) the Company and its Subsidiaries may retain up to $5,000,000 of Net Cash Proceeds from Asset Sales in any twelve-month period (without complying with clause (3)), and
(ii) any Asset Sale that would result in a Change of Control shall not be

governed by this covenant but shall be governed by the provisions described under 'Change of Control Put and Call.'

Investment Company Act. The Company shall not take any action that would require it or any of its Subsidiaries to register as an investment company under the Investment Company Act of 1940.

Securities and Exchange Commission Reports. At all times from and after the earlier of (i) the date of the commencement of the Exchange Offers or the effectiveness of the Shelf Registration Statement contemplated by the Registration Rights Agreements and (ii) the date that is six months after the Issue Date, in either case, whether or not the Company is then required to file reports with the Commission, the Company shall file with the Commission all such reports and other information as would be required to be filed with the Commission under the Exchange Act. The Company shall supply to each Holder and to any other Person who reasonably requests in writing, without cost, copies of such reports or other information. In addition, the Company shall, at its cost, deliver to each Holder, and a prospective purchaser designated by such Holder, from and after the earlier of the dates referred to in clauses (i) and (ii) above, quarterly and annual reports substantially equivalent to those which would be required under the Exchange Act if at the time of such request the Company is not a reporting company under Section 13 or Section 15(d) of the Exchange Act. The Company also will comply with the other provisions of TIA
Section 314(a).

So long as any of the Notes remain outstanding, the Company shall cause each annual, quarterly and other financial report mailed or otherwise furnished by it generally to public stockholders to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained by the Registrar, in each case at the time of such mailing or furnishing to such stockholders.



G-I_EPA0009274

**MERGER, ETC.**

The Company shall not consolidate with or merge with or into or sell, assign, transfer or lease all or substantially all of its properties and assets (either in one transaction or series of related transactions) to any Person, unless:

(1) the Company shall be the continuing Person, or the resulting, surviving or transferee Person (if other than the Company) shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture, and the Indenture shall remain in full force and effect;

(2) immediately before and immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the

resulting, surviving or transferee Person or any of its Subsidiaries as a result of such transaction as having been issued by such Person or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) immediately after giving effect to such transaction, the resulting, surviving or transferee Person shall have a Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of the Company immediately prior to such transaction.

In connection with any consolidation, merger, sale, assignment, transfer or lease contemplated by this covenant, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer or lease and the supplemental indenture in respect thereto comply with this covenant and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation or merger or any sale, assignment, transfer or lease of all or substantially all of the assets of the Company in accordance with the foregoing provisions, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indentures, with the same effect as if such successor corporation had been named as the Company therein, and, except in the case of a lease, the Company will be discharged from all obligations and covenants under the Indentures and the Notes.

**EVENTS OF DEFAULT**

An 'Event of Default' occurs under an Indenture if:

(1) the Company defaults in the payment of interest on, or Additional Interest (if any) with respect to, any Note issued pursuant to such Indenture when the same becomes due and payable and the default continues for a period of 30 days;

(2) (i) the Company defaults in the payment of the principal of any Note issued pursuant to such Indenture when the same becomes due and payable at maturity or otherwise or (ii) the Company fails to redeem or repurchase Notes issued pursuant to such Indenture when required pursuant to such Indenture or the Notes;

(3) the Company fails to comply with the provisions described under 'Merger, Etc.' contained in such Indenture;

(4) the Company fails to comply for 30 days after notice with any of its obligations under 'Change of Control Put and Call' and 'Certain Covenants' contained in such Indenture;

(5) the Company fails to comply for 60 days after notice with its other agreements contained in the Indenture or the Notes issued pursuant to such Indenture (other than those referred to in clauses (1)-(4) above);

(6) Debt of the Company or any Significant Subsidiary is not paid within any applicable grace period or is accelerated by the holders thereof because of a default and the total principal amount of the portion of such Debt that is unpaid or accelerated exceeds $15,000,000 or its foreign currency equivalent and such default continues for 5 days after notice;

(7) the Company or any of its Significant Subsidiaries (A) admits in writing its inability to pay its debts generally as they become due, (B) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (C) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (D) consents to the appointment of a Custodian of it or for substantially all of its property, (E) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (F) makes a general assignment for the benefit of its creditors, or (G) takes any corporate action to authorize or effect any of the foregoing; and

(8) any judgment or order for the payment of money in excess of $15,000,000 in the aggregate is rendered against the Company or any Significant Subsidiary of the Company and (i) there is a period of 60 days following the entry of such judgment or order during which such judgment or order is not discharged, waived or the execution thereof stayed and such default continues for 10 days after the notice specified below or (ii) foreclosure proceedings therefor have begun and have not been stayed within five days of the commencement of such foreclosure proceeding.

A Default under clauses (4), (5), (6) or (8) is not an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding issue of Notes issued pursuant to the applicable Indenture notify the Company in writing of the Default, and the Company does not cure the Default within the time specified in such clause after receipt of such notice. Such notice shall be given by the Trustee if so requested in writing by the Holders of at least 25% in aggregate principal amount of such outstanding Notes. When a Default under clause (4), (5), (6) or (8) is cured or remedied within the specified period, it ceases to exist.

If an Event of Default (other than an Event of Default with respect to the Company specified in clause (7) above) occurs and is continuing, the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of such outstanding issue of Notes issued pursuant to the applicable Indenture, by written notice to the Company and the Trustee, may declare the principal of and accrued interest on all such Notes then outstanding to be due and payable (the 'Default Amount'). Upon a declaration of acceleration, such amount shall be due and payable immediately.

If an Event of Default with respect to the Company specified in clause (7) above occurs, the Default Amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount at maturity of the applicable issue of Notes then outstanding, by written notice to the Trustee and the Company, may rescind an acceleration with respect to such Notes and its consequences if (i) all existing Defaults and Events of Default, other than the non-payment of the principal of such Notes which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid and
(iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Notwithstanding any other provision of the applicable Indenture, if an Event of Default occurs and is continuing and the Holders are entitled to payment as a result of acceleration, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of and/or interest on the applicable issue of Notes or to enforce the performance of any provision of such Notes or the applicable Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.



G-I_EPA0009276

Subject to certain provisions of the applicable Indenture, the Holders of a majority in aggregate principal amount of the outstanding Notes governed thereby by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on any Note as specified in clauses (1) and (2) above. When a Default or Event of Default is waived, it is cured and ceases to exist.

The Holders of a majority in aggregate principal amount of the applicable issue of Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the applicable Indenture or that the Trustee determines may be unduly prejudicial to the rights of another Holder as such, or that may subject the Trustee to personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

A Holder may not pursue any remedy with respect to an Indenture or the Notes except under specified circumstances.

If a Default occurs under an Indenture and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder of Notes issued thereunder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of the principal of or interest on any Note, the Trustee

may withhold notice if and so long as a committee of its Trust Officers in good faith determines that the withholding of such notice is in the interests of the Holders of the applicable Notes.

**DISCHARGE; DEFEASANCE**

When (i) the Company delivers to the Trustee all outstanding Notes issued under an Indenture (other than replaced Notes) for cancellation or (ii) all outstanding Notes issued under an Indenture have become due and payable, and the Company irrevocably deposits with the Trustee money sufficient to pay at maturity all such outstanding Notes, including interest thereon (other than replaced Notes), and if in either case the Company pays all other sums payable hereunder by the Company, then the Indenture governing such Notes shall, except with respect to certain matters, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of such Indenture on demand of the Company accompanied by an officers' certificate and an opinion of counsel as to the satisfaction of all conditions to such satisfaction and discharge of such Indenture and at the cost and expense of the Company.

Subject to the provisions set forth in the applicable Indenture, the Company may at any time terminate (i) all its obligations under the Notes issued under an Indenture and the applicable Indenture ('legal defeasance'), or (ii) its obligations under certain of the covenants under such Indenture ('covenant defeasance').

The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal and interest, if any, on the applicable issue of Notes to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the applicable Notes to maturity or redemption, as the case may be;

(3) no Default or Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(4) the deposit does not constitute a default under any other agreement binding on the Company;

(5) the Company delivers to the Trustee an opinion of counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;



G-I_EPA0009277

(6) the Company delivers to the Trustee an opinion of counsel stating that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and, in the case of legal defeasance only, such opinion of counsel shall be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law; and

(7) the Company delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes have been complied with.

Notwithstanding the foregoing provisions of this Section, the conditions set forth in the foregoing paragraphs (2), (3), (4), (5), (6) and (7) need not be satisfied so long as, at the time the Company makes the deposit described in paragraph (1), (i) no payment or bankruptcy Default under the applicable Indenture has occurred and is continuing on the date of such deposit and after giving effect thereto and (ii) either (x) a notice of redemption has been mailed providing for redemption of all the applicable Notes 30 days after such mailing and the provisions of the applicable Indenture with respect to such redemption shall have been complied with or (y) the Stated Maturity of all of the applicable Notes will occur within 30 days. If the conditions of the preceding sentence are satisfied the Company shall be deemed to have exercised its covenant defeasance option.

**AMENDMENTS, SUPPLEMENTS AND WAIVERS**

The Company, when authorized by resolution of its Board of Directors, and the Trustee may amend an Indenture or the Notes issued pursuant thereto with the written consent of the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding, and the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding by written notice to the Trustee may waive future compliance by the Company with any provision of such Indenture or such Notes.

Notwithstanding the foregoing, without the consent of each Holder affected, an amendment or waiver, may not:

(1) change the stated maturity of the principal of, or any installment of interest on, any Note or reduce the principal amount thereof, the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(2) reduce the percentage in principal amount of the outstanding Notes, the consent of the Holders of which is required for any supplemental indenture or the consent of such Holders is required for any waiver of compliance with provisions of the applicable Indenture or Defaults hereunder and their consequences provided for in such Indenture;

(3) modify any of the provisions relating to supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of covenants, except to increase any such percentage of outstanding Notes required for such actions or to provide that certain other provisions of the applicable Indenture cannot be modified or waived without the consent of each Holder affected thereby;

(4) waive a default in the payment of the principal of or interest on any Note or modify or waive the Company's obligation to repurchase Notes under the provisions described under 'Change of Control' or 'Certain Covenants--Limitation on Asset Sales';

(5) except as otherwise permitted by the provisions described under 'Merger, Etc.', consent to the assignment or transfer by the Company of any of its rights and obligations under the Indenture;

(6) make any change in the amendment and waiver provisions, provisions relating to waiver of past defaults or provisions relating to rights of holders to receive payment; or

(7) change the time at which any Note must be redeemed or repaid in accordance with the terms of the applicable Indenture and the Notes.

It shall not be necessary for the consent of the Holders to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof. Any amendment, waiver or consent shall be deemed effective upon receipt by the Trustee of the necessary consents and shall not require execution of any supplemental indenture to be effective.

Except as otherwise provided above, the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding may waive compliance in a particular instance by the Company with any provisions of the applicable Indenture or such Notes.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any fee, interest or other amount to any Holders in connection with any consent, waiver or amendment to an Indenture or the Notes governed thereby, unless such fee, interest or other amount is offered or agreed to be paid to all Holders who are given the same opportunity to so consent, waive or agree to amend and who, in fact, so consent, waive or agree to amend.

**GOVERNING LAW**

The Indentures and the Notes are governed by and will be construed in accordance with, the laws of the State of New York.

## CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material federal income tax consequences to tendering holders of Old Notes of (i) the exchange of Old Notes for New Notes and (ii) the ownership and disposition of New Notes.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the 'Code'), Treasury Regulations promulgated thereunder (including temporary regulations), administrative rulings and judicial decisions now in effect, all of which are subject to change, possible with retroactive effect. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder in light of such holder's individual investment circumstances or to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities, banks, life insurance companies, tax-exempt organizations and foreign taxpayers and persons who hold (or will hold) the Old Notes or New Notes as part of a 'straddle,' 'hedge' or 'conversion transaction'), nor does it discuss any aspect of state, local or foreign taxation. The following discussion assumes that the Old Notes and New Notes are (and will be) held by the holders thereof as 'capital assets' within the meaning of Section 1221 of the Code.

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATIONAL PURPOSES ONLY. ACCORDINGLY, EACH HOLDER OF OLD NOTES SHOULD CONSULT WITH SUCH HOLDER'S OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PARTICIPATION IN THE EXCHANGE OFFER, AND THE OWNERSHIP AND DISPOSITION OF NEW NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

**FEDERAL INCOME TAX CONSEQUENCES OF TENDERING OLD NOTES**

The exchange of Old Notes for New Notes pursuant to the Exchange Offers should not constitute an exchange for federal income tax purposes. Accordingly, the Exchange Offers should have no federal income tax consequences to holders of Old Notes. Except for the immediately succeeding paragraph, the balance of this discussion assumes that the exchange of Old Notes for New Notes will not constitute an exchange for federal income tax purposes.

If, contrary to the above conclusion, the exchange of Old Notes for New Notes constitutes an exchange for federal income purposes, both the Old Notes and the New Notes should constitute 'securities' for federal income tax purposes (which determination generally is made by reference to the initial terms of the debt instrument, with debt instruments with initial terms of more than five years generally being treated as securities) and, thus, a holder of Old Notes should recognize no gain or loss on the consummation of the Exchange Offers.



G-I_EPA0009279

## FEDERAL INCOME TAX CONSEQUENCES OF OWNING NEW NOTES

### STATED INTEREST

Interest on a New Note should be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with such

holder's method of accounting for U.S. federal income tax purposes.

### SALE OR REDEMPTION

The sale, exchange, redemption (including pursuant to an offer by the Company) or other disposition of New Notes generally will be a taxable event for federal income tax purposes. A holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of any property received upon such sale, exchange, redemption or other taxable disposition of a New Note (other than in respect of accrued interest thereon) and (ii) the holder's adjusted tax basis in such debt instrument (other than in respect of accrued interest thereon). Subject to the possible application of the market discount rules discussed below, such gain or loss will be capital gain or loss and would be long-term capital gain or loss if the New Notes were held by the holder for the applicable period at the time of such sale or other disposition.

### MARKET DISCOUNT

Except as discussed below, gain recognized on the disposition of New Notes having accrued market discount will be treated as ordinary income, and not capital gain, to the extent of the accrued market discount, provided the amount of market discount thereon exceeds a de minimis amount. In general, upon the disposition of a 'market discount' bond, any gain recognized by a holder is treated as ordinary income to the extent of accrued market discount thereon. Market discount is defined generally as the excess of (i) the 'stated redemption price at maturity' of a debt obligation less any unamortized original issue discount over (ii) the tax basis of the debt obligation in the hands of the holder immediately after its acquisition.

If a holder of New Notes having accrued market discount disposes of such New Notes in any transaction other than a sale, exchange or redemption (e.g., a gift), such holder will be deemed to have realized an amount equal to the fair market value of such new Notes and will be required to recognize as ordinary income any accrued market discount thereon. See 'Sale or Redemption' above for the general consequences of a sale, exchange or redemption. Partial principal payments (if any) on such New Notes also would be includable as ordinary income to the extent of any accrued market discount on such New Notes. A holder of New Notes having accrued market discount also may be required to defer the deduction of all or a portion of the interest on any indebtedness incurred or maintained to purchase or carry such New Notes until they are disposed of in a taxable transaction.

A holder of New Notes having accrued market discount may elect to include the market discount in income as it accrues. This election would apply to all market discount obligations acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may be revoked only with the consent of the Service. If a holder of New Notes elects to include market discount in income, the above-discussed rules with respect to ordinary income recognition resulting from sale and certain other disposition transactions and to deferral of interest deductions would not apply.

### BOND PREMIUM

If the initial tax basis of a holder in any New Notes exceeds the 'amount payable on maturity' (such excess being the 'bond premium'), the holder may elect to amortize the bond premium over the period from the acquisition date of such New Notes to their maturity date (or an earlier call date, if using such earlier date would result in a smaller amortization deduction) and, except as Treasury Regulations may otherwise provide, reduce the amount of interest included in income in respect of such New Notes by such amount.

A holder who elects to amortize bond premium must reduce his adjusted basis in such New Notes by the amount of such allowable amortization. An election to amortize bond premium would apply to amortizable bond premium on all taxable bonds held at or acquired after the beginning of the holder's taxable year as to which the election is made, and may be revoked subsequently only with the consent of the Service.



G-I_EPA0009280

**BACKUP WITHHOLDING**

Under the Code, a holder of Old Notes or New Notes may be subject, under certain circumstances, to 'backup withholding' at a 31% rate with respect to payments of interest or the gross proceeds from the sale, exchange or redemption of such notes. This withholding generally applies only if the holder (i) fails to furnish his social security or other taxpayer identification number ('TIN') within a reasonable time after the request therefor, (ii) furnishes an incorrect TIN, (iii) fails to report properly interest or dividends, or (iv) fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding. Any amount withheld from a payment to a holder under the backup withholding rules is allowable as a credit against such holder's federal income tax liability, provided that the required information is furnished to the Service. Holders of Old Notes and New Notes should consult their tax advisors as to their qualification for exemption from withholding and the procedure for obtaining such an exemption.

## PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offers must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by all persons subject to the prospectus delivery requirements of the Securities Act, including broker-dealers in connection with resales of New 9% Notes received in exchange for Old 9% Notes and in connection with resales of New 9 3/4% Notes received for Old 9 3/4% Notes, in each case, where such Old Notes were acquired as a result of market-making activities or other trading activities. ISP Holdings has agreed that, for a period of 180 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

ISP Holdings will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account

pursuant to the Exchange Offers may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offers and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an 'underwriter' within the meaning of the Securities Act and any profit on any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, ISP Holdings will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. ISP Holdings has agreed to pay all expenses incident to the Exchange Offers (including the reasonable fees and expenses of Cahill Gordon and Reindel, counsel to Bear, Stearns & Co. Inc., the initial purchaser of the Old 9% Notes) other than commissions or concessions of any brokers or dealers and will indemnify holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

## LEGAL MATTERS

Certain legal matters with respect to the validity of the issuance of the New Notes will be passed upon for ISP Holdings by Weil, Gotshal & Manges LLP (a limited liability partnership including professional corporations), New York, New York. Weil, Gotshal & Manges LLP has from time to time represented, and continues to represent, Bear, Stearns & Co. Inc. in connection with various legal matters. Weil, Gotshal &



G-I_EPA0009281

Manges LLP has from time to time represented, and may continue to represent, GAF and certain of its affiliates (including G-I Holdings, ISP and BMCA) in connection with certain legal matters.

## EXPERTS

The consolidated financial statements and schedules of ISP Holdings as of December 31, 1994 and 1995 and the consolidated statements of income, shareholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995 included in this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their

reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

## AVAILABLE INFORMATION

ISP, G-I Holdings and BMCA are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and in accordance therewith file reports, proxy statements (with respect to ISP) and other information with the Commission. The reports, proxy statements and other information filed by ISP, G-I Holdings and BMCA with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60601-2511. Copies of such material also can be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549 at prescribed rates. In addition, ISP's common stock is listed on the New York Stock Exchange and material filed by ISP can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Finally, the Commission maintains an Internet web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

ISP Holdings has filed with the Commission a Registration Statement (which term shall encompass any amendments thereto) on Form S-4 under the Securities Act with respect to the New Notes offered hereby. This Prospectus does not contain all information set forth in the Registration Statement and the exhibits thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement, or other document are not necessarily complete. With respect to each such contract, agreement, or other document filed as an exhibit to the Registration Statement, reference is hereby made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.



G-I_EPA0009282

## INDEX TO FINANCIAL STATEMENTS


| | PAGE |
|---|---|
| Report of Independent Public Accountants | F-2 |
| Consolidated Statements of Income for the three years ended December 31, 1995 and the nine months ended October 1, 1995 and September 29, 1996 (unaudited) | F-3 |
| Consolidated Balance Sheets as of December 31, 1995 and as of September 29, 1996 (unaudited) | F-4 |
| Consolidated Statements of Cash Flows for the three years ended December 31, 1995 and the nine months ended October 1, 1995 and September 29, 1996 (unaudited) | F-5 |
| Consolidated Statements of Shareholder's Equity (Deficit) for the three years ended December 31, 1995 and the nine months ended September 29, 1996 (unaudited) | F-7 |
| Notes to Consolidated Financial Statements | F-8 |
| Supplementary Data (unaudited): | |
| Quarterly Financial Data (unaudited) | F-27 |




G-I_EPA0009283

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

**To ISP Holdings Inc.:**

We have audited the accompanying consolidated balance sheets of ISP Holdings Inc. (a Delaware corporation and a wholly owned subsidiary of GAF Corporation) and subsidiaries as of December 31, 1994 and 1995, and the related consolidated statements of income, shareholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, appearing on pages F-3 to F-26 of this Prospectus, present fairly, in all material respects, the financial position of ISP Holdings Inc. and subsidiaries as of December 31, 1994 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

*/s/ Arthur Andersen LLP*
*ARTHUR ANDERSEN LLP*

*Roseland, New Jersey*
*August 7, 1996*
*(except with respect to the matter discussed in Note 14 as to which the date is December 9, 1996)*



G-I_EPA0009284

**ISP HOLDINGS INC.**
**CONSOLIDATED STATEMENTS OF INCOME**

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Net sales | $548,252 | $600,047 | $689,002 | $ 530,334 | $ 544,135 |
| Costs and expenses: | | | | | |
| Cost of products sold | 329,517 | 367,746 | 414,672 | 322,329 | 320,295 |
| Selling, general and administrative | 125,961 | 119,656 | 134,011 | 98,876 | 108,236 |
| Provision for restructuring | 13,827 | -- | -- | -- | -- |
| Goodwill amortization | 13,856 | 13,400 | 13,223 | 9,922 | 9,900 |
| Total costs and expenses | 483,161 | 500,802 | 561,906 | 431,127 | 438,431 |
| Operating income | 65,091 | 99,245 | 127,096 | 99,207 | 105,704 |
| Interest expense | (24,500) | (28,676) | (33,091) | (24,821) | (21,879) |
| Equity in earnings of joint venture | 2,051 | 2,034 | 5,413 | 2,950 | 4,948 |
| Other income (expense), net | 7,181 | (119) | 6,684 | 3,869 | 9,429 |
| Income from continuing operations before income taxes and extraordinary item | 49,823 | 72,484 | 106,102 | 81,205 | 98,202 |
| Income taxes: | | | | | |
| Current year provision | (17,320) | (26,732) | (38,727) | (29,981) | (35,647) |
| Adjustment of deferred tax liability for change in tax rate | (2,945) | -- | -- | -- | -- |
| Minority interest in income of subsidiaries | (5,737) | (8,640) | (12,306) | (9,452) | (10,802) |
| Income from continuing operations before extraordinary item | 23,821 | 37,112 | 55,069 | 41,772 | 51,753 |
| Discontinued operations: | | | | | |
| Loss from discontinued operations, net of income taxes | (9,415) | (7,865) | (22,241) | (15,838) | (25,608) |
| Gain on sale of discontinued operation, net of income taxes of $30,648 | -- | -- | -- | -- | 43,637 |
| Income (loss) from discontinued operations | (9,415) | (7,865) | (22,241) | (15,838) | 18,029 |
| Income before extraordinary item | 14,406 | 29,247 | 32,828 | 25,934 | 69,782 |
| Extraordinary item, net of income tax benefit of $733 | -- | (1,237) | -- | -- | -- |
| Net income | $ 14,406 | $ 28,010 | $ 32,828 | $ 25,934 | $ 69,782 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



G-I_EPA0009285

**ISP HOLDINGS INC.**
**CONSOLIDATED BALANCE SHEETS**

| | DECEMBER 31, 1994 | DECEMBER 31, 1995 | SEPTEMBER 29, 1996 (UNAUDITED) |
|---|---|---|---|
| | | (THOUSANDS) | |
| ASSETS | | | |
| Current assets: | | | |
| Cash | $ 20,127 | $ 14,080 | $ 11,767 |
| Investments in trading securities | 42,737 | 17,183 | 1,266 |
| Investments in available-for-sale securities | 14,583 | 114,099 | 94,567 |
| Investments in held-to-maturity securities | -- | 4,618 | 4,119 |
| Accounts receivable, trade, less reserve of $2,292, $2,879 and $2,916 | 55,585 | 60,327 | 72,764 |
| Accounts receivable, other | 9,977 | 12,356 | 20,637 |
| Inventories | 108,787 | 107,969 | 98,354 |
| Net current assets of discontinued operations | 106,237 | 147,451 | 254,979 |
| Other current assets | 14,572 | 12,920 | 13,726 |
| Total current assets | 372,605 | 491,003 | 572,179 |
| Property, plant and equipment, net | 477,109 | 475,550 | 482,416 |
| Excess of cost over net assets of businesses acquired, net of accumulated amortization of $78,602, $91,825 and $101,725 | 443,681 | 430,458 | 420,558 |
| Other assets | 64,146 | 63,378 | 62,135 |
| Total assets | $1,357,541 | $1,460,389 | $1,537,288 |
| LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT) | | | |
| Current liabilities: | | | |
| Short-term debt | $ -- | $ 36,199 | $ 22,518 |
| Current maturities of long-term debt | 890 | 398 | 361 |
| Loan payable to affiliate | 41,341 | 50,597 | 17,797 |
| Accounts payable | 47,984 | 41,727 | 50,017 |
| Accrued liabilities | 46,625 | 56,538 | 57,929 |
| Payable to affiliates, net | 3,336 | 9,429 | 4,413 |
| Income taxes | 4,389 | 6,114 | 6,099 |
| Total current liabilities | 144,565 | 201,002 | 159,134 |
| Long-term debt less current maturities | 285,397 | 280,254 | 239,760 |
| Long-term note payable to affiliate | 91,709 | 67,237 | 80,977 |
| Deferred taxes | 72,955 | 55,743 | 45,452 |
| Net noncurrent liabilities of discontinued operations | 591,592 | 678,805 | 770,271 |
| Other liabilities | 74,310 | 65,458 | 62,224 |
| Minority interest in subsidiaries | 112,804 | 113,597 | 117,817 |
| Commitments and contingencies | | | |
| Shareholder's equity (deficit): | | | |
| Common stock, $.01 par value per share; 1,000 shares authorized: 10 shares issued and outstanding | -- | -- | -- |
| Additional paid-in capital | 50,704 | 56,342 | 118,516 |
| Excess of purchase price over the adjusted historical cost of the predecessor company shares owned by GAF's stockholders | (72,605) | (72,605) | (72,605) |
| Retained earnings | -- | -- | 1,924 |
| Cumulative translation adjustment and other | 6,110 | 14,556 | 13,818 |
| Shareholder's equity (deficit) | (15,791) | (1,707) | 61,653 |
| Total liabilities and shareholder's equity (deficit) | $1,357,541 | $1,460,389 | $1,537,288 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



G-I_EPA0009286

# ISP HOLDINGS INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Cash and cash equivalents, beginning period | $ 81,679 | $ 82,786 | $ 62,864 | $ 62,864 | $ 31,263 |
| Cash provided by operating activities: | | | | | |
| Net income | 14,406 | 28,010 | 32,828 | 25,934 | 69,782 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| (Income) loss from discontinued operations | 9,415 | 7,865 | 22,241 | 15,838 | (18,029) |
| Non-cash extraordinary charge | -- | 1,237 | -- | -- | -- |
| Depreciation | 28,737 | 32,753 | 35,960 | 26,698 | 28,183 |
| Goodwill amortization | 13,856 | 13,400 | 13,223 | 9,922 | 9,900 |
| Deferred income taxes | (13,542) | (16,494) | (18,809) | (5,125) | (11,340) |
| Provision for restructuring | 13,827 | -- | -- | -- | -- |
| (Increase) decrease in working capital items | 2,868 | (11,277) | (5,105) | (13,465) | (3,015) |
| (Increase) decrease in other assets | 6,586 | (4,281) | 56 | (6,303) | 1,116 |
| Increase (decrease) in other liabilities | 1,847 | (2,090) | (1,343) | (1,250) | 810 |
| Increase (decrease) in net payable to affiliates | 10,234 | (247) | 6,093 | (9,756) | (5,016) |
| Change in cumulative translation adjustment | (5,070) | 6,694 | 5,561 | 6,470 | (4,005) |
| Change in minority interest in subsidiaries | 4,517 | 10,252 | 13,663 | 11,002 | 10,015 |
| Other, net | 340 | (2,885) | 586 | (2,316) | (1,903) |
| Net cash provided by continuing operations | 88,021 | 62,937 | 104,954 | 57,649 | 76,498 |
| Net cash provided by (used in) discontinued operations | 1,150 | 4,106 | 28,159 | 27,693 | (83,027) |
| Net cash provided by (used in) operating activities | 89,171 | 67,043 | 133,113 | 85,342 | (6,529) |
| Cash provided by (used in) investing activities: | | | | | |
| Capital expenditures and acquisitions | (62,858) | (31,098) | (38,934) | (26,559) | (35,669) |
| Proceeds from sale of discontinued operation | -- | -- | -- | -- | 89,464 |
| Purchases of available-for-sale securities | -- | -- | (366,200) | (228,007) | (194,126) |
| Purchases of held-to-maturity securities | -- | -- | (5,592) | (5,314) | (9,534) |
| Designation of trading securities (to)/from available-for-sale securities | -- | (16,267) | 13,303 | (2,697) | (9,928) |
| Proceeds from sales of available-for-sale securities | -- | -- | 257,197 | 134,185 | 227,838 |
| Proceeds from held-to-maturity securities | -- | -- | 974 | -- | 10,033 |
| Net cash provided by (used in) investing activities | (62,858) | (47,365) | (139,252) | (128,392) | 78,078 |
| Cash provided by (used in) financing activities: | | | | | |
| Proceeds (repayments) from sale of accounts receivable | 24,284 | (1,052) | 3,768 | 1,814 | -- |
| Proceeds from termination of interest rate swap agreements | 25,069 | -- | -- | -- | -- |
| Increase (decrease) in short-term debt | 10,637 | (12,848) | 36,199 | 49,088 | (14,013) |
| Repayments of long-term debt | (125,820) | (83,048) | (5,635) | (16,341) | (40,615) |
| Increase (decrease) in loans from affiliate | 46,317 | 66,263 | (15,216) | (2,384) | (19,060) |
| Subsidiary's repurchases of common stock | -- | (327) | (16,614) | (13,965) | (10,365) |
| Dividends to minority shareholders of subsidiary | (969) | (969) | -- | -- | -- |
| Dividends and distributions paid to parent company | (14,406) | (27,010) | (33,637) | (27,692) | (67,996) |
| Capital contribution from parent company | 9,230 | 18,880 | 5,478 | -- | 61,558 |
| Other, net | 452 | 511 | 195 | 62 | 712 |
| Net cash used in financing activities | (25,206) | (39,600) | (25,462) | (9,418) | (89,779) |
| Net change in cash and cash equivalents | 1,107 | (19,922) | (31,601) | (52,468) | (18,230) |
| Cash and cash equivalents, end of period | $ 82,786 | $ 62,864 | $ 31,263 | $ 10,396 | $ 13,033 |



G-I_EPA0009287

**ISP HOLDINGS INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)**

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Supplemental Cash Flow Information: | | | | | |
| Effect on cash from (increase) decrease in working capital items(1): | | | | | |
| Accounts receivable | $ 2,499 | $(14,161) | $(10,892) | $ (20,652) | $ (20,575) |
| Inventories | 4,306 | (5,087) | 1,029 | 8,589 | 9,657 |
| Other current assets | 1,239 | 1,688 | 2,105 | (291) | (725) |
| Accounts payable | 5,036 | 8,187 | (5,895) | (3,677) | 8,264 |
| Accrued liabilities | (896) | (4,162) | 8,389 | 1,477 | 539 |
| Income taxes | (9,316) | 2,258 | 159 | 1,089 | (175) |
| Net effect on cash from (increase) decrease in working capital items | $ 2,868 | $(11,277) | $ (5,105) | $ (13,465) | $ (3,015) |
| Cash paid during the period for: | | | | | |
| Interest (net of amount capitalized) | $ 23,969 | $ 31,140 | $ 36,776 | $ 30,651 | $ 28,175 |
| Income taxes (including taxes paid pursuant to the Tax Sharing Agreement) | 38,703 | 44,499 | 44,489 | 35,285 | 48,681 |

(1) Working capital items exclude cash, restricted cash, short-term investments and short-term debt. Working capital acquired in connection with acquisitions is reflected within 'Capital expenditures and acquisitions.' The effects of reclassifications between noncurrent and current assets and liabilities are excluded from the amounts shown above. In addition, the (increase) decrease in accounts receivable shown above does not reflect the cash proceeds from the sale of certain of the Company's accounts receivable (see Note 5); such proceeds are reflected in cash from financing activities.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



G-I_EPA0009288

**ISP HOLDINGS INC.**
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT)**

| | CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL | CUMULATIVE TRANSLATION ADJUSTMENT AND OTHER | RETAINED EARNINGS |
|---|---|---|---|
| | | (THOUSANDS) | |
| December 31, 1992 | $ 22,625 | $ 7,426 | $ -- |
| Net income | -- | -- | 14,406 |
| Translation adjustment | -- | (5,070) | -- |
| Dividends and distributions to parent company | -- | -- | (14,406) |
| Capital contribution from parent company | 9,230 | -- | -- |
| Change in unrealized gain on investments held by insurance subsidiary | -- | (1,863) | -- |
| Adjustment of unfunded pension liability | -- | (2,357) | -- |
| December 31, 1993 | $ 31,855 | $ (1,864) | $ -- |
| Net income | -- | -- | 28,010 |
| Translation adjustment | -- | 6,694 | -- |
| Dividends and distributions to parent company | -- | -- | (28,010) |
| Capital contribution from parent company | 18,880 | -- | -- |
| Unrealized loss on available-for-sale securities, net of $517 income tax benefit | -- | (886) | -- |
| Change in unrealized gain on investments held by insurance subsidiary | -- | (594) | -- |
| Adjustment of unfunded pension liability | -- | 2,760 | -- |
| Effect of subsidiary's purchases of treasury stock | (31) | -- | -- |
| December 31, 1994 | $ 50,704 | $ 6,110 | $ -- |
| Net income | -- | -- | 32,828 |
| Translation adjustment | -- | 5,561 | -- |
| Dividends and distributions to parent company | -- | -- | (32,828) |
| Capital contribution from parent company | 5,478 | -- | -- |
| Change in unrealized gains on available-for-sale securities, net of $1,503 income tax effect | -- | 2,636 | -- |
| Adjustment of unfunded pension liability | -- | 249 | -- |
| Effect of exercises of subsidiary's stock options | 160 | -- | -- |
| December 31, 1995 | $ 56,342 | $ 14,556 | $ -- |
| Net income (unaudited) | -- | -- | 69,782 |
| Translation adjustment (unaudited) | -- | (4,005) | -- |
| Dividends and distributions to parent company (unaudited) | -- | -- | (67,858) |
| Capital contribution from parent company (unaudited) | 61,558 | -- | -- |
| Change in unrealized gains on available-for-sale securities, net of $1,652 income tax effect (unaudited) | -- | 3,267 | -- |
| Effect of exercises of subsidiary's stock options (unaudited) | 396 | -- | -- |
| Effect of subsidiary's issuance of stock and options as incentives (unaudited) | 220 | -- | -- |
| September 29, 1996 (unaudited) | $ 118,516 | $ 13,818 | $ 1,924 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



G-I_EPA0009289

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ISP Holdings Inc. ('ISP Holdings') is a wholly owned subsidiary of GAF Corporation ('GAF'). ISP Holdings was formed on August 6, 1996 and 10 shares of its common stock were issued to GAF in exchange for all of the capital stock of G-I Holdings Inc. ('G-I Holdings'), which resulted in G-I Holdings becoming a direct wholly-owned subsidiary of ISP Holdings. As used herein, the term 'Company' refers to ISP Holdings and its subsidiaries.

The accompanying consolidated financial statements have been prepared on a basis which retroactively reflects the formation of ISP Holdings, as discussed above, for all periods presented. The net income for each period presented up to the date ISP Holdings was formed has been reflected as dividends and/or distributions to GAF. Financial information with regard to the nine months ended October 1, 1995 and September 29, 1996 is unaudited and, in the opinion of management, contains all adjustments necessary to present fairly the financial position and the results of operations and cash flows of the Company for the periods presented. All adjustments are of a normal recurring nature. The results of operations for these periods are not necessarily indicative of the results to be expected for the full year.

Subject to the satisfaction of certain conditions, GAF intends to effect a series of transactions (the 'Spin Off Transactions') that will result in, among other things, the capital stock of ISP Holdings (whose principal asset will be approximately 83% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and its subsidiary, International Specialty Products Inc. ('ISP'), will no longer be direct or indirect subsidiaries of GAF, and the assets and liabilities of other wholly owned subsidiaries of G-I Holdings, including Building Materials Corporation of America ('BMCA'), U.S. Intec, Inc. ('USI'), and GAF Chemicals Corporation ('GCC'), will no longer be assets and liabilities of ISP Holdings.

Accordingly, the results of operations and assets and liabilities of BMCA, USI and GCC, as well as GAF Broadcasting Company, Inc. (which was sold in August 1996), have been classified as 'Discontinued Operations' within the financial statements for all periods presented.

The Company, through its subsidiary, ISP, is engaged principally in the manufacture and sale of specialty chemicals. See Notes 11 and 12 for a description of and financial information concerning the Company's industry segments and foreign and domestic operations.

See Notes 14 and 16 for a discussion of a subsequent event and discontinued operations.

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation

All subsidiaries are consolidated and intercompany transactions have been eliminated.

#### Financial Statement Estimates

The preparation of financial statements requires management to make certain estimates. Actual results could differ from those estimates. In the opinion of management, the financial statements herein contain all adjustments necessary to present fairly the financial position and the results of operations and cash flows of the Company for the periods presented. All adjustments are of a normal recurring nature. The Company has a policy to review the recoverability of long-lived assets and identify and measure any potential impairments. The Company does not anticipate any changes in management estimates that would have a material impact on operations, liquidity or capital resources, subject to the matters discussed in Note 13 (Commitments and Contingencies).

#### Short-term Investments

The Company carries its short-term investments at market value. For securities classified as 'trading' (including short positions), unrealized gains and losses are reflected in income. For securities classified as 'available-for-sale', unrealized gains (losses), net of income tax effect, are included in a separate component of shareholder's equity (deficit), 'Cumulative translation adjustment and other,' and amounted to ($.9), $1.8 and $5.0 million as of December 31, 1994 and 1995 and September 29, 1996, respectively. Investments classified as held-to-maturity securities are carried at amortized cost in the Consolidated Balance Sheet.



G-I_EPA0009290

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)**

'Other income, net' includes $6.2, $16.5, $9.3 and $13.8 million of net realized and unrealized gains and losses on securities in 1994 and 1995 and the first nine months of 1995 and 1996, respectively, and $10.9 million of net realized gains in 1993. The determination of cost in computing realized gains and losses is based on the specific identification method.

During the fourth quarter of 1995, the Company redesignated certain equity securities held long (which are offsets against short positions in certain other securities), with a fair market value of $18.1 million, as 'trading' and recorded unrealized gains on such securities, through the date of redesignation, in the amount of $2.1 million as 'Other income.'

As of December 31, 1994 and 1995 and September 29, 1996, the market value of the Company's equity securities held long was $57.3, $132.2 and $96.4 million, respectively, and the Company had $13.1, $22 and $4.3 million, respectively, of short positions in common stocks. As of December 31, 1994 and 1995 and September 29, 1996, the market value of the Company's held-to-maturity securities was $0, $4.6 and $4.1 million, respectively. The market values referred to above were based on quotations as reported by various stock exchanges and major broker-dealers. With respect to its investments in

securities, the Company is exposed to the risk of market loss.

The Company considers its short-term investments in equity and debt securities classified as 'trading' to be cash equivalents.

**Inventories**

Inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is utilized to determine cost for a substantial portion of the Company's domestic inventories. All other inventories are determined principally based on the FIFO (first-in, first-out) method.

**Property, Plant and Equipment**

Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. Certain interest charges are capitalized during the period of construction as part of the cost of property, plant and equipment.

**New Accounting Standards**

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, relating to accounting for impairment of long-lived assets, which is required to be adopted in 1996. The Company does not anticipate that the implementation of SFAS No. 121 will have a material effect on the Company's results of operations or financial position.

**Foreign Exchange Contracts**

The Company enters into forward foreign exchange instruments with off-balance-sheet risk in order to hedge a portion of both its borrowings denominated in foreign currency and its firm or anticipated purchase commitments related to the operations of foreign affiliates. Gains and losses on instruments used to hedge firm purchase commitments are deferred, and amortization is included in the measurement of the foreign currency transactions hedged. Gains and losses on instruments used to hedge anticipated purchases are recognized within 'Other income, net.'

Forward contract agreements require the Company and the counterparty to exchange fixed amounts of U.S. dollars for fixed amounts of foreign currency on specified dates. The market value of such contracts varies with changes in the market exchange rates. The Company is exposed to credit loss in the event of nonperformance by the counterparties to the forward contract agreements. However, the Company does not anticipate nonperformance by the counterparties. The Company does not generally require collateral or other security to support these financial instruments.



G-I_EPA0009291

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)**

As of December 31, 1994 and 1995 and September 29, 1996, the equivalent dollar fair value of outstanding forward foreign exchange contracts was $110.3, $183.1 and $175.3 million, respectively, and the amount of deferred gains and losses on such instruments was immaterial at December 31, 1994 and 1995 and was a net gain of $2.3 million at September 29, 1996. All forward contracts are in major currencies with highly liquid markets and mature within one year. The Company uses quoted market prices obtained from major financial institutions to determine the market value of its outstanding forward exchange contracts. The U.S. dollar equivalent fair value of foreign exchange contracts outstanding as of September 29, 1996 as a hedge of non-local currency loans was $28.6 million, representing 100% of the Company's foreign currency exposure with respect to such loans.

The Company continually monitors its risk from the effect of foreign currency fluctuations on its operations and on the derivative products used to hedge its risk. The Company utilizes real-time, on-line foreign exchange data and news as well as evaluation of economic information provided by financial institutions. Mark-to-market valuations are made on a regular basis. Hedging strategies are approved by senior management before being implemented.

**Foreign Currency Translation**

Assets and liabilities of foreign subsidiaries, other than those located in highly inflationary countries, are translated at year-end exchange rates. The effects of these translation adjustments are reported in a separate component of shareholder's equity (deficit), 'Cumulative translation adjustment and other,' and amounted to $8.5, $14.1 and $10.1 million as of December 31, 1994 and 1995 and September 29, 1996, respectively. Income and expenses are translated at average exchange rates prevailing during the year. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, and translation adjustments of subsidiaries in countries with highly inflationary economies, are included in 'Other income, net.'

Excess of Purchase Price Over the Adjusted Historical Cost of Predecessor Company Shares

Shareholder's equity (deficit) reflects a reduction of $72.6 million which arose from a management-led buyout in March 1989 of the predecessor company to GAF (the 'Acquisition'), because certain members of the management group owned shares of the predecessor company's common stock before the Acquisition and own shares of GAF after the Acquisition. Accordingly, a step-up in asset values to fair value as required by the purchase method of accounting (which was applied to the Acquisition) does not apply to their shares.

**Excess of Cost Over Net Assets of Businesses Acquired ('Goodwill')**

Goodwill, which arose principally from the Acquisition, is amortized on the straight-line method over a period of approximately 40 years. The Company believes that the goodwill is recoverable. The primary financial indicator to assess recoverability of goodwill is operating income before amortization of goodwill. The assessment is based on an undiscounted analysis.

**Debt Issuance Costs**

Debt issuance costs are amortized to expense over the life of the related debt.

**Interest Rate Swaps**

Gain (losses) on interest rate swaps are deferred and amortized as a reduction (increase) of interest expense over the remaining life of the debt issue with respect to which the swaps were entered.

**Research and Development**

Research and development costs are charged to continuing operations as incurred and amounted to $21.2, $20.3, $21.9, $16.2 and $18.4 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.



G-I_EPA0009292

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

### Investment in Joint Venture

ISP has a 50% ownership in GAF-Huls Chemie GmbH ('GAF-Huls'), a joint venture which operates a chemical manufacturing plant in Germany, which is accounted for by the equity method. ISP's equity in the net assets of GAF-Huls was $33.5, $41.2 and $38.5 million as of December 31, 1994 and 1995 and September 29, 1996, respectively, and is included in 'Other assets.' Dividends received by ISP from GAF-Huls totaled $5.4, $4.4, $.3, $.3 and $5.7 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

### Environmental Liability

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters. The Company estimates that its liability in respect of such environmental matters for its continuing operations, and certain other environmental compliance expenses, as of September 29, 1996 is $17.4 million, before reduction for insurance recoveries reflected on its balance sheet of $6.9 million. The Company's liability is reflected on an undiscounted basis. See 'Business--Environmental Litigation' for further discussion with respect to environmental liabilities and estimated insurance recoveries.

## NOTE 2. ACQUISITION

In February 1993, ISP acquired the MTM fine chemicals business. Such acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the estimated fair values of

the identifiable net assets acquired, and the excess was recorded as goodwill. The results of such acquisition are included from the date of acquisition; the effect was not material to consolidated operations.

## NOTE 3. PROVISION FOR RESTRUCTURING

In the fourth quarter of 1993, ISP recorded a pre-tax provision of $13.8 million, primarily related to its cost reduction program announced in October 1993.



G-I_EPA0009293

## NOTE 4. INCOME TAXES

Income tax (provision) benefit for continuing operations consists of the following:

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Federal: | | | | | |
| Current | $(29,555) | $(36,055) | $(48,955) | $ (27,369) | $ (40,473) |
| Deferred | 15,726 | 16,051 | 17,794 | 4,757 | 11,353 |
| Total Federal | (13,829) | (20,004) | (31,161) | (22,612) | (29,120) |
| Foreign--current | (2,984) | (6,019) | (6,432) | (6,564) | (5,121) |
| State and local: | | | | | |
| Current | (1,268) | (1,152) | (2,149) | (1,173) | (1,393) |
| Deferred | 761 | 443 | 1,015 | 368 | (13) |
| Total state and local | (507) | (709) | (1,134) | (805) | (1,406) |
| Income tax provision | $(17,320) | $(26,732) | $(38,727) | $ (29,981) | $ (35,647) |

The differences between the income tax provision computed by applying the statutory Federal income tax rate to pre-tax income from continuing operations,

and the income tax provision reflected in the Consolidated Statements of Income, are as follows:

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Statutory provision | $(17,438) | $(25,369) | $(37,136) | $ (28,422) | $ (34,371) |
| Impact of: | | | | | |
| Foreign operations | 3,116 | 1,657 | 3,633 | 608 | 1,590 |
| Nondeductible goodwill amortization | (4,849) | (4,690) | (4,628) | (3,473) | (3,465) |
| Percentage depletion | 1,868 | 1,684 | 1,824 | 1,453 | 1,219 |
| Other, net | (17) | (14) | (2,420) | (147) | (620) |
| Income tax provision | $(17,320) | $(26,732) | $(38,727) | $ (29,981) | $ (35,647) |



G-I_EPA0009294

## NOTE 4. INCOME TAXES--(CONTINUED)

The components of the net deferred tax liability are as follows:

| | DECEMBER 31, 1994 | DECEMBER 31, 1995 | SEPTEMBER 29, 1996 (UNAUDITED) |
|---|---|---|---|
| | (THOUSANDS) | | |
| Deferred tax liabilities related to: | | | |
| Property, plant and equipment | $103,294 | $ 90,854 | $ 90,010 |
| Other | 2,582 | 6,019 | 4,284 |
| Total deferred tax liabilities | 105,876 | 96,873 | 94,294 |
| Deferred tax assets related to: | | | |
| Deferred income | (6,694) | (19,912) | (22,351) |
| Expenses not yet deducted for tax purposes | (24,480) | (14,099) | (20,982) |
| Foreign tax credits not yet utilized under the Tax Sharing Agreement | (3,230) | (3,326) | (3,326) |
| Other | (4,660) | (10,389) | (8,779) |
| Total deferred tax assets | (39,064) | (47,726) | (55,438) |
| Net deferred tax liability | 66,812 | 49,147 | 38,856 |
| Deferred tax assets reclassified to other current assets | 6,143 | 6,596 | 6,596 |
| Noncurrent deferred tax liability | $ 72,955 | $ 55,743 | $ 45,452 |

The discussion contained in this Prospectus under the heading 'Tax Sharing Agreement' is incorporated by reference herein.

In connection with Rhone-Poulenc Surfactants and Specialties, L.P. (the 'Surfactants Partnership'), GCC, an indirect subsidiary of GAF, has recorded a deferred tax liability in the amount of $131.4 million, which is reflected as a liability on the consolidated balance sheet of G-I Holdings. Payment of this liability (subject to reduction to reflect utilization of the tax attributes of GAF and its subsidiaries) is not expected earlier than 1999 under present circumstances. In certain circumstances, GCC could be required to satisfy this liability earlier than 1999. GAF, G-I Holdings and certain subsidiaries of GAF have agreed to jointly and severally indemnify the Company against such tax liability. Prior to the Spin Off Transactions, the Company was a member of the same consolidated federal income tax group as GCC. Subject to such indemnification, the Company would be severally liable for any tax liability imposed in connection with the Surfactants Partnership should GAF, G-I Holdings and such subsidiaries be unable to satisfy such liability. GAF has advised the Company that, in the event the tax liability becomes payable, GAF believes that it will have access to sufficient funds to satisfy this liability if so required.



G-I_EPA0009295

## NOTE 5. SALE OF ACCOUNTS RECEIVABLE

In June 1993, ISP sold its domestic trade accounts receivable, without recourse, for a maximum of $25 million in cash to be made available to ISP based on eligible domestic receivables outstanding from time to time. As of November 6, 1996, the agreement under which ISP sells its domestic trade accounts receivable was extended for one year on substantially the same terms and conditions, and the maximum purchase amount was increased to $29 million.

The excess of accounts receivable sold over the net proceeds received is included in 'Accounts receivable, other'. The effective cost to the Company varies with LIBOR or commercial paper rates and is included in 'Other income, net'.

## NOTE 6. INVENTORIES

At December 31, 1994 and 1995 and September 29, 1996, $49.4, $56.2 and $45.1 million, respectively, of domestic inventories were valued using the LIFO method. Inventories consist of the following:

| | DECEMBER 31, | | SEPTEMBER 29, 1996 |
|---|---|---|---|
| | 1994 | 1995 | (UNAUDITED) |
| | | (THOUSANDS) | |
| Finished goods | $ 69,748 | $ 71,431 | $ 61,175 |
| Work in process | 21,082 | 20,540 | 23,851 |
| Raw materials and supplies | 19,900 | 18,634 | 17,564 |
| Total | 110,730 | 110,605 | 102,590 |
| Less LIFO reserve | (1,943) | (2,636) | (4,236) |
| Inventories | $ 108,787 | $ 107,969 | $ 98,354 |

## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

| | DECEMBER 31, | | SEPTEMBER 29, 1996 |
|---|---|---|---|
| | 1994 | 1995 | (UNAUDITED) |
| | | (THOUSANDS) | |
| Land and land improvements | $ 69,109 | $ 69,504 | $ 70,286 |
| Buildings and fixtures | 78,808 | 80,880 | 81,632 |
| Machinery and equipment | 422,795 | 438,579 | 471,826 |
| Construction in progress | 36,938 | 46,547 | 42,922 |
| Total | 607,650 | 635,510 | 666,666 |
| Less accumulated depreciation | (130,541) | (159,960) | (184,250) |
| Property, plant and equipment, net | $ 477,109 | $ 475,550 | $ 482,416 |



G-I_EPA0009296

## NOTE 8. LONG-TERM DEBT

Long-term debt consists of the following:

| | DECEMBER 31, 1994 | DECEMBER 31, 1995 | SEPTEMBER 29, 1996 (UNAUDITED) |
|---|---|---|---|
| | (THOUSANDS) | | |
| 9% ISP Senior Notes due 1999 | $ 200,000 | $ 200,000 | $200,000 |
| Borrowings under revolving credit facility | 45,000 | 40,800 | -- |
| Industrial revenue bond | 1,830 | -- | -- |
| Obligations on mortgaged property | 38,125 | 38,125 | 38,125 |
| Obligations under capital leases (Note 13) | 1,332 | 1,727 | 1,996 |
| Total | 286,287 | 280,652 | 240,121 |
| Less current maturities | (890) | (398) | (361) |
| Long-term debt less current maturities | $ 285,397 | $ 280,254 | $239,760 |

In connection with the issuance by ISP of $200 million of 9% Senior Notes (the '9% Notes') due 1999, ISP entered into swaps with banks in an aggregate notional principal amount of $200 million. In 1993, ISP terminated the swaps, resulting in gains of $25.1 million, and entered into new swaps. The gains were deferred and are being amortized as a reduction of interest expense over the remaining life of the 9% Notes. As a result of the new swaps, the effective interest cost to ISP of the 9% Notes varies at a fixed spread over LIBOR. Based on the fair value of the swaps at December 31, 1994 and 1995 and September 29, 1996, ISP would have incurred losses of $22.1, $2.8 and $6.5 million, respectively, representing the estimated amount that would be payable by ISP if the swaps were terminated at such dates. The estimated fair value of the 9% Notes as of December 31, 1994 and 1995 and September 29, 1996, was $192.6, $214.6 and $206.7 million, respectively.

The Company may be considered to be at risk, to the extent of the costs of replacing such swaps at current market rates, in the event of nonperformance by counterparties. However, since the counterparties are major financial institutions, the credit ratings of which are continually monitored by the Company, the risk of such nonperformance is considered by the Company to be remote.

In October 1994, ISP refinanced its $400 million revolving credit/letter of credit facility and entered into a four-year $250 million revolving credit/letter of credit facility and a $150 million renewable one-year revolving

credit facility. In connection with the refinancing of the bank facility, ISP recorded an extraordinary charge of $1.2 million (after an income tax benefit of $.7 million), representing the write-off of deferred financing fees related to the previous bank credit agreement. On July 26, 1996, ISP refinanced its $250 million long-term revolving credit facility and $150 million one-year revolving credit facility with a $400 million five-year revolving credit facility (the 'ISP Credit Agreement'). Borrowings under the ISP Credit Agreement bear interest at a floating rate based on the banks' base rate, federal funds rate, Eurodollar rate or a competitive bid rate (which may be based on LIBOR or money market rates), at the option of ISP.

As of September 29, 1996, letters of credit aggregating $9.4 million were outstanding under the ISP Credit Agreement. The ISP Credit Agreement permits ISP to make loans to affiliates, and to make available letters of credit for the benefit of affiliates, in an aggregate amount of up to $75 million. As of September 29, 1996, $2.3 million of letters of credit for the benefit of affiliates were outstanding.

Borrowings by ISP, including those under the ISP Credit Agreement, are subject to the application of certain financial covenants contained in such agreement and in the indentures relating to the Company's 9% Senior Notes due 2003 and 9 3/4% Senior Notes due 2002. As of September 29, 1996, ISP was in compliance with such covenants, and the application of such covenants would not have restricted the amounts available for borrowing under the ISP Credit Agreement. The ISP Credit Agreement and the indenture relating to the 9% Notes also limit the amount of cash dividends, purchases of treasury stock and other restricted payments (as defined) by ISP. As



G-I_EPA0009297

**NOTE 8. LONG-TERM DEBT--(CONTINUED)**

of September 29, 1996, under the most restrictive of such limitations, ISP could have paid dividends in the aggregate amount of $79.9 million, of which $66.4 million would have been available to ISP Holdings.

The ISP Credit Agreement and the indenture relating to the 9% Notes contain additional affirmative and negative covenants, including restrictions on liens, investments, transactions with affiliates, sale-leaseback transactions, and mergers and transfers of all or substantially all of the assets of ISP or its subsidiaries. The ISP Credit Agreement also provides for a default if there is a change in control (as defined) of ISP.

Neither the ISP Credit Agreement nor the 9% Notes are secured by any assets of ISP or its subsidiaries. The indenture governing the 9% Notes provides, subject to certain exceptions, that if ISP issues any debt secured by a lien on the stock of certain of its subsidiaries or upon any principal property, then such notes must be equally and ratably secured.

The Company believes that the fair value of its non-public variable rate

indebtedness approximates the book value of such indebtedness because the interest rates on such indebtedness are at floating short-term rates. The ISP Credit Agreement also provides for adjustments to the interest rate if there is a change in the credit rating of ISP. With respect to the Company's publicly traded debt securities, the Company has obtained estimates of fair values from an independent source believed to be reliable.

The aggregate maturities of long-term debt for the Company's continuing operations as of September 29, 1996 for the next five years are as follows:

| TWELVE MONTHS ENDED SEPTEMBER 30, | (THOUSANDS) |
|---|---|
| 1997 | $ 361 |
| 1998 | 520 |
| 1999 | 238,408 |
| 2000 | 190 |
| 2001 | 150 |

In the above table, for the twelve months ended September 29, 1999, maturities include the $200 million of 9% Notes and a $38.1 million obligation on a mortgaged property.

At September 29, 1996, the Company's foreign subsidiaries had total available short-term lines of credit aggregating $38.1 million, of which $16.3 million were unused. The weighted average interest rate on the Company's short-term borrowings as of December 31, 1994 and 1995 and September 29, 1996 was 6.1%, 5.8% and 5.2%, respectively.

See Note 16 for information regarding subsequent events relating to indebtedness of the Company.



G-I_EPA0009298

## NOTE 9. BENEFIT PLANS

Eligible, full-time employees of the Company are covered by various benefit plans, as described below.

### Defined Contribution Plan

The Company provides a defined contribution plan for eligible employees. The Company contributes up to 7% of participants' compensation (of which, for ISP employees, up to 4% of participants' compensation, at the participants' option, is contributed in the form of ISP's common stock at a $.50 per share discount from the market price on the date of contribution) and also contributes fixed amounts, ranging from $50 to $750 per year depending on age, to the accounts of participants who are not covered by a Company-provided

postretirement medical benefit plan. The aggregate contributions by the Company related to continuing operations were $5.2, $6.1, $6.3, $4.7 and $4.8 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

### Defined Benefit Plans

The Company provides a noncontributory defined benefit retirement plan for certain hourly employees (the 'Hourly Retirement Plan'). Benefits under this plan are based on stated amounts for each year of service. The Company's funding policy is consistent with the minimum funding requirements of ERISA.

The Company's net periodic pension cost related to continuing operations for the Hourly Retirement Plan included the following components:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| | (THOUSANDS) | | |
| Service cost | $ 395 | $ 363 | $ 287 |
| Interest cost | 1,134 | 1,253 | 1,349 |
| Actual income on plan assets | (985) | (924) | (976) |
| Net deferral and amortization of unrecognized prior service cost and actuarial losses | 467 | 343 | 275 |
| Net periodic pension cost | $1,011 | $1,035 | $ 935 |

Net periodic pension cost related to continuing operations for the Hourly Retirement Plan was $.7 and $.1 million, respectively, for the first nine months of 1995 and 1996.



G-I_EPA0009299

**NOTE 9. BENEFIT PLANS--(CONTINUED)**

The following table sets forth the funded status of the Hourly Retirement Plan for continuing operations:

| | DECEMBER 31, | |
|---|---|---|
| | 1994 | 1995 |
| | (THOUSANDS) | |
| Accumulated benefit obligation: | | |
| Vested | $ 13,460 | $ 16,919 |
| Nonvested | 2,360 | 2,273 |
| Total accumulated benefit obligation | $ 15,820 | $ 19,192 |
| Projected benefit obligation | $ 15,820 | $ 19,192 |
| Fair value of plan assets, primarily listed stocks and U.S. Government securities | (10,766) | (15,314) |
| Projected benefit obligation in excess of plan assets | 5,054 | 3,878 |
| Unrecognized prior service cost | (2,075) | (1,956) |
| Unrecognized net loss | (1,180) | (796) |
| Unfunded accrued pension cost | $ 1,799 | $ 1,126 |

At December 31, 1995, the difference between the 'Projected benefit obligation in excess of plan assets' and the 'Unfunded accrued pension cost,' in the amount of $2,752,000, was recorded by the Company as a liability, offset by an intangible asset in the amount of $1,956,000, a reduction of shareholder's equity in the amount of $655,000 and a reduction of minority interest in subsidiary in the amount of $141,000. The foregoing amounts will be amortized to expense over a period of approximately 15 years, as the Company continues to fund the benefits under the Hourly Retirement Plan.

In determining the projected benefit obligation, the weighted average assumed discount rate was 9% and 7.5% for 1994 and 1995, respectively. The expected long-term rate of return on assets, used in determining net periodic pension cost, was 9% for 1994 and 1995.

The Company also provides a nonqualified defined benefit retirement plan for certain key employees. Expense accrued for this plan and charged to continuing operations was $.8, $1.2, $1.4, $1.1 and $.6 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

**Postretirement Medical and Life Insurance**

The Company provides certain medical and life insurance benefits for all retirees who were formerly hourly employees and for certain retirees who were formerly salaried employees. Certain hourly employees may become eligible for benefits if they reach retirement age while working for the Company. The Company accrues the estimated cost of such retiree benefits during covered employees' active service periods.

During 1992, the postretirement medical and life insurance plans for salaried employees were terminated, with certain exceptions for salaried

employees then over age 55 with 10 years of service. Retirees as of December 31, 1992 who were formerly salaried employees maintain life insurance coverage and receive a Company subsidy of up to $800 per year towards medical coverage, with certain exceptions. Subsequently, the Company negotiated the termination of postretirement medical and life insurance plans for certain hourly employees, with exceptions for hourly employees then over age 50 with 15 or more years of service.



G-I_EPA0009300

**NOTE 9. BENEFIT PLANS--(CONTINUED)**

The following table shows the components of the accrued postretirement health care cost obligation for continuing operations as of December 31, 1994 and 1995:

| | DECEMBER 31, | |
|---|---|---|
| | 1994 | 1995 |
| | (THOUSANDS) | |
| Accumulated postretirement benefit obligation: | | |
| Retirees, dependents and beneficiaries eligible for benefits | $ 8,038 | $ 9,053 |
| Active employees fully eligible for benefits | 1,967 | 2,042 |
| Active employees not fully eligible for benefits | 107 | 121 |
| Total accumulated postretirement benefit obligation | 10,112 | 11,216 |
| Fair value of plan assets | -- | -- |
| Unrecognized prior service cost and unrecognized net gain (loss) | 1,027 | (241) |
| Accrued postretirement benefit obligation | $11,139 | $10,975 |

The net periodic postretirement benefit cost for continuing operations included the following components:

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| | (THOUSANDS) | | |
| Service cost | $ 75 | $ 39 | $ 3 |
| Interest cost | 1,012 | 845 | 884 |
| Amortization of unrecognized prior service cost and net gain from earlier periods | -- | (25) | (145) |
| Net periodic postretirement benefit cost | $1,087 | $859 | $ 742 |

Net periodic postretirement benefit cost for continuing operations was $.6 million for each of the first nine months of 1995 and 1996.

For purposes of calculating the accumulated postretirement benefit obligation, the following assumptions were made. Retirees as of December 31, 1992 who were formerly salaried employees (with certain exceptions) were assumed to receive a Company subsidy of $800 per year. With respect to retirees who were formerly hourly employees, most such retirees are subject to a $5,000 per person lifetime maximum benefit. Subject to such lifetime maximum, a 14% and 8% annual rate of increase in the Company's per capita cost of providing postretirement medical benefits was assumed for 1996 for such retirees under and over age 65, respectively. To the extent that the lifetime maximum benefits have not been reached, the foregoing rates were assumed to decrease gradually to 7% and 6%, respectively, by the year 2003 and remain at that level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 9% and 7.5% for 1994 and 1995, respectively.

The health care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation for continuing operations as of December 31, 1995 by $850,000 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for continuing operations for the year 1995 by $113,000.



G-I_EPA0009301

## NOTE 10. STOCK OPTION PLAN

ISP's 1991 Incentive Plan for Key Employees and Directors, as amended (the 'Plan'), authorizes the grant of options to purchase a maximum of 5,000,000 shares of ISP's common stock. In December 1995, ISP's Board of Directors approved an amendment to the Plan, which was approved by ISP's stockholders in 1996, to permit the Compensation Committee of the Board of Directors to determine the exercise price and vesting schedule of options granted under the Plan. In December 1995, ISP granted options to certain employees to purchase 215,500 shares of ISP's common stock at an exercise price of $5.875 per share. The difference of $5 per share between the exercise price and the fair market value of such shares on the date of grant is being recognized as compensation

expense over the vesting period of 2 1/2 years. All other ISP employee options under the Plan have an exercise price equal to the fair market value of such shares on the date of grant and become exercisable at a rate of 20% per year on each of the first five anniversaries of the date of grant. Special vesting rules apply to options granted to non-employee directors.

In 1993, ISP extended an offer to holders of outstanding stock options with exercise prices ranging from $7.25 to $14.00 to exchange their existing options for a lesser number of new options with an exercise price of $6.75.

The following is a summary of transactions pertaining to the Plan:

| | 1993 | 1994 | 1995 |
|---|---|---|---|
| | | (NUMBER OF SHARES) | |
| Outstanding January 1 | 1,883,649 | 1,228,964 | 2,199,716 |
| Granted | 825,509 | 1,321,020 | 1,355,510 |
| Exercised | -- | -- | (28,805) |
| Exchanged | (1,177,518) | -- | -- |
| Terminated | (302,676) | (350,268) | (248,982) |
| Outstanding December 31 | 1,228,964 | 2,199,716 | 3,277,439 |
| At December 31: | | | |
| Exercisable | 151,118 | 332,763 | 710,750 |
| Available for grant | 1,771,036 | 800,284 | 1,722,561 |
| Option Price Range Per Share: | | | |
| Outstanding | $ 6.75- $ 14.00 | $ 6.125- $ 14.00 | $ 5.875- $ 14.00 |
| Exercised | -- -- | -- -- | $ 6.75- $ 7.25 |



G-I_EPA0009302

## NOTE 11. BUSINESS SEGMENT INFORMATION

The following data present business segment information for the Company's continuing operations.

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| | (MILLIONS) | | |
| Net sales: | | | |
| Specialty Chemicals | $ 434.5 | $ 482.4 | $ 556.9 |
| Mineral Products(1) | 81.3 | 81.1 | 86.1 |
| Other | 32.5 | 36.5 | 46.0 |
| Net sales | $ 548.3 | $ 600.0 | $ 689.0 |
| Operating income: | | | |
| Specialty Chemicals | $ 59.8 | $ 79.9 | $ 105.5 |
| Mineral Products | 16.9 | 14.6 | 16.3 |
| Other | 2.2 | 4.7 | 5.3 |
| Provision for restructuring(2) | (13.8) | -- | -- |
| Operating income | $ 65.1 | $ 99.2 | $ 127.1 |
| Identifiable assets: | | | |
| Specialty Chemicals | $ 972.6 | $ 986.3 | $ 980.0 |
| Mineral Products | 161.5 | 161.2 | 157.9 |
| Other | 19.5 | 20.6 | 25.6 |
| General Corporate | 89.7 | 83.2 | 149.4 |
| Net current assets of discontinued operations | 65.7 | 106.2 | 147.5 |
| Identifiable assets | $1,309.0 | $1,357.5 | $1,460.4 |
| Capital expenditures and acquisitions: | | | |
| Specialty Chemicals | $ 54.5 | $ 22.5 | $ 31.1 |
| Mineral Products | 8.3 | 8.3 | 6.0 |
| Other | .1 | .3 | 1.8 |
| Total capital expenditures and acquisitions | $ 62.9 | $ 31.1 | $ 38.9 |
| Depreciation: | | | |
| Specialty Chemicals | $ 22.1 | $ 25.2 | $ 27.9 |
| Mineral Products | 6.2 | 6.8 | 7.2 |
| Other | .4 | .8 | .9 |
| Total depreciation | $ 28.7 | $ 32.8 | $ 36.0 |

(1) Includes sales to BMCA of $43.5, $42.5 and $45.7 million for 1993, 1994 and 1995, respectively, and sales to USI of $.1 million in 1995.

(2) On a segment basis, the provision for restructuring (see Note 3) relates to Specialty Chemicals ($11.8 million), Mineral Products ($.3 million), and

**Other ($1.7 million).**

ISP manufactures more than 325 specialty chemicals having numerous applications in consumer and industrial products encompassing such worldwide markets as pharmaceuticals, hair and skin care, plastics, agricultural, coatings and adhesives. ISP's mineral products business manufactures ceramic-coated colored roofing granules which are sold primarily to the North American roofing industry for use in the manufacture of asphalt roofing shingles. Over 50% of ISP's sales of mineral products are to BMCA. ISP also manufactures filter products and advanced materials.



G-I_EPA0009303

## NOTE 12. GEOGRAPHIC INFORMATION

Results set forth below for foreign operations relating to the Company's continuing operations represent sales and operating income of foreign-based subsidiaries.

| | YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| | | (MILLIONS) | |
| Net sales: | | | |
| Domestic operations(1) | $ 286.8 | $ 306.4 | $ 345.2 |
| Europe(2) | 167.7 | 187.7 | 218.2 |
| Asia-Pacific | 69.3 | 76.6 | 92.1 |
| Other foreign operations | 24.5 | 29.3 | 33.5 |
| Net sales | $ 548.3 | $ 600.0 | $ 689.0 |
| Operating income: | | | |
| Domestic operations | $ 26.9 | $ 41.3 | $ 57.9 |
| Europe | 35.7 | 37.5 | 49.7 |
| Asia-Pacific | 13.2 | 16.2 | 17.0 |
| Other foreign operations | 3.1 | 4.2 | 2.5 |
| Provision for restructuring(3) | (13.8) | -- | -- |
| Operating income | 65.1 | 99.2 | 127.1 |
| Equity in earnings of joint venture | 2.1 | 2.0 | 5.4 |
| Interest expense and other, net | (17.4) | (28.7) | (26.4) |
| Income from continuing operations before income taxes and extraordinary item | $ 49.8 | $ 72.5 | $ 106.1 |
| Identifiable assets: | | | |
| Domestic operations | $1,001.5 | $1,001.4 | $ 984.5 |
| Europe(4) | 118.5 | 128.9 | 133.1 |
| Asia-Pacific | 24.9 | 28.5 | 32.2 |
| Other foreign operations | 8.7 | 9.3 | 13.7 |
| General Corporate | 89.7 | 83.2 | 149.4 |
| Net current assets of discontinued operations | 65.7 | 106.2 | 147.5 |
| Identifiable assets | $1,309.0 | $1,357.5 | $1,460.4 |

(1) Net sales--domestic operations excludes sales by the Company's domestic subsidiaries to foreign-based subsidiaries of $113.6, $135.1 and $140.9 million for 1993, 1994 and 1995, respectively.

(2) Net sales--Europe excludes sales by the Company's European subsidiaries to domestic and other foreign-based subsidiaries of $7.2, $12.8 and $19.9 million for 1993, 1994 and 1995, respectively.

(3) On a geographic basis, the provision for restructuring (see Note 3) relates to domestic operations ($7.6 million), Europe ($5.7 million), Asia-Pacific ($.4 million), and other foreign operations ($.1 million).

(4) Identifiable assets--Europe includes ISP's 50% ownership of GAF-Huls.

More than 60% of the Company's international sales in 1995 were in countries in Western Europe and Japan which are subject to currency exchange rate fluctuation risks. See Note 1 for a discussion of the Company's policy to manage these risks. Other countries in which the Company has sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.



G-I_EPA0009304

## NOTE 13. COMMITMENTS AND CONTINGENCIES

ISP Holdings is essentially a holding company without independent businesses or operations and, as such, is dependent upon the cash flow of ISP in order to satisfy its obligations. Such obligations include $325 million principal amount of Senior Notes due 2003, and $199.9 million principal amount of Senior Notes due 2002. See Note 16 to Consolidated Financial Statements for a discussion of a subsequent event related to the debt obligations of ISP Holdings. ISP Holdings expects to satisfy such obligations from, among other

things, refinancings of debt, dividends and loans from ISP, as to which there are restrictions under the ISP Credit Agreement and the Indenture relating to the ISP 9% Notes (See Note 8), payments pursuant to the Tax Sharing Agreement between ISP Holdings and ISP and debt financings.

The discussion as to legal matters involving the Company contained in 'Business--Environmental Litigation' is incorporated herein by reference.

GAF and G-I Holdings have established reserves for asbestos bodily injury claims, as of September 29, 1996, in the amount of $357.8 million (before estimated present value of recoveries from products liability insurance policies of $211 million and related deferred tax benefits of $51.4 million). GAF and G-I Holdings have advised ISP Holdings that certain components of the asbestos-related liability and the related insurance recoveries have been reflected on a discounted basis in their financial statements, and that the aggregate undiscounted liability as of September 29, 1996, before estimated recoveries from products liability insurance policies, was $398.1 million. GAF and G-I Holdings have also advised ISP Holdings that they believe that their reserves adequately reflect their asbestos-related liabilities. GAF's and G-I Holdings' estimate of liability for asbestos claims is based on a pending settlement of future asbestos bodily injury claims (the 'Settlement') becoming effective and on assumptions which relate, among other things, to the number of new cases filed, the cost of resolving (either by settlement or litigation or through the mechanism established by the Settlement) pending and future claims, the realization of related tax benefits, the favorable resolution of pending litigation against certain insurance companies and the amount of recoveries from various insurance companies.

Neither ISP, ISP Holdings nor the assets or operations of ISP, which was operated as a division of a corporate predecessor of GAF prior to July 1986, have been employed in the manufacture or sale of asbestos products. ISP Holdings believes that it and ISP should have no legal responsibility for damages in connection with asbestos-related claims.

Leases for certain property, plant and equipment at two of ISP's mineral products plants are accounted for as capital leases and are included in 'Property, plant and equipment, net' at December 31, 1994 and 1995 and at September 29, 1996 in the amount of $1.3, $2.1 and $1.9 million, respectively. The Company also has operating leases for transportation, production and data processing equipment and for various buildings. Rental expense on operations leases for continuing operations was $7, $7.4 and $8.2 million for 1993, 1994 and 1995, respectively. Future minimum lease payments for properties which were held under long-term noncancelable leases as of December 31, 1995 were as follows:

| | CAPITAL LEASES | OPERATING LEASES |
|---|---|---|
| | (THOUSANDS) | |
| 1996 | $ 535 | $ 2,758 |
| 1997 | 535 | 1,839 |
| 1998 | 494 | 1,055 |
| 1999 | 200 | 573 |
| 2000 | 146 | 276 |
| Later years | 194 | 247 |
| Total minimum payments | 2,104 | $ 6,748 |
| Less interest included above | (377) | |
| Present value of net minimum lease payments | $ 1,727 | |

## NOTE 13. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

ISP intends to acquire or develop a European manufacturing facility to meet the needs of ISP's European business. While the originally anticipated commencement date of the European project has been deferred because ISP has been able to implement cost efficient capacity expansions at its existing manufacturing facilities, based upon its current analysis of additional opportunities for expansion of existing capacity, end-use demand, and other relevant factors, ISP intends to proceed with the project by the end of 1997. Costs capitalized to date related to this project are included in 'Construction in progress.' ISP anticipates utilizing internally generated funds, existing credit facilities and/or independent financing to fund the cost of the project.

ISP has received conditional site designation from the New Jersey Hazardous Waste Facilities Siting Commission for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property, which designation has been appealed to the Courts by the City of Linden. ISP estimates that the cost of constructing the facility will be approximately $100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing therefor. Accordingly, ISP would not expect such facility to impact materially its liquidity or capital resources.

## NOTE 14. DISCONTINUED OPERATIONS

On August 1, 1996, the Company completed the sale of WAXQ, a commercial radio station operated by GAF Broadcasting Company, Inc. ('GAF Broadcasting'), a wholly-owned subsidiary of the Company, for a purchase price of $90 million. The gain on disposal of $43.6 million, after income taxes of $30.6 million, was recorded in the third quarter of 1996. Accordingly, GAF Broadcasting is reported as a discontinued operation.

As a result of the spin-off transactions discussed in Note 16, G-I Holdings and its remaining assets, principally the building materials business, consisting of BMCA and USI, and the assets and liabilities of GCC, as well as

GAF Broadcasting, are reflected as discontinued operations in the Consolidated Financial Statements. Summary operating results of such discontinued operations are as follows:

| | YEAR ENDED DECEMBER 31, | | | NINE MONTHS ENDED | |
|---|---|---|---|---|---|
| | 1993 | 1994 | 1995 | OCTOBER 1, 1995 (UNAUDITED) | SEPTEMBER 29, 1996 (UNAUDITED) |
| | (THOUSANDS) | | | | |
| Sales | $564,234 | $598,666 | $695,259 | $ 513,967 | $ 652,659 |
| Income (loss) before income taxes and extraordinary item | (15,649) | (7,430) | (39,642) | (23,826) | (25,414) |
| Income tax (provision) benefit | 6,234 | (435) | 17,401 | 7,988 | 7,992 |
| Extraordinary item, net of income tax benefit of $5,016 | -- | -- | -- | -- | (8,186) |
| Net income (loss) | (9,415) | (7,865) | (22,241) | (15,838) | (25,608) |

**NOTE 14. DISCONTINUED OPERATIONS--(CONTINUED)**

| | SEPT. 29, 1996 (UNAUDITED) |
|---|---|
| | (THOUSANDS) |
| Assets | |
| Current assets | $ 465,772 |
| Investment in limited partnership | 450,000 |
| Other noncurrent assets | 574,885 |
| Total assets | $1,490,657 |
| Liabilities | |
| Current liabilities | $ 210,793 |
| Long-term debt(1) | 1,322,778 |
| Other noncurrent liabilities | 472,378 |
| Total liabilities | $2,005,949 |

(1) See Note 16 for a subsequent event related to the long-term debt of G-I Holdings.

**NOTE 15. RELATED PARTY TRANSACTIONS**

BMCA, an affiliate of the Company, purchases colored roofing granule requirements from ISP under a requirements contract which was renewed for 1996 and is subject to annual renewal unless terminated by ISP or BMCA. Such purchases totaled $43.5, $42.5, $45.7, $35.9 and $35.7 million for 1993, 1994, 1995 and the first nine months of 1995 and 1996, respectively. In addition, in December 1995, USI commenced purchasing substantially all of its requirements for colored roofing granules from ISP (except for the requirements of its Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. Such purchases totaled $.1 million for 1995 and $3.3 million for the first nine months of 1996. The receivable from BMCA for sales of mineral products was $2.6, $2.7 and $5.9 million at December 31, 1994 and 1995 and September 29, 1996, respectively, and the receivable from USI for sales of mineral products was $.1 and $2.1 million at December 31, 1995 and September 29, 1996, respectively.

Pursuant to a Management Agreement, which expires at the end of 1996, ISP provides certain general management, administrative, and facilities services to certain of its affiliates. Charges by ISP for providing such services aggregated $4.8, $4.4, $4.5, $3.4 and $3.7 million for 1993, 1994 and 1995, and the first nine months of 1995 and 1996 respectively, and are reflected as reductions of 'Selling, general and administrative' expense. In addition to the management services charge, BMCA paid approximately $.7 million to ISP in each of 1993, 1994 and 1995, and $.5 million for the first nine months of 1995 and 1996, primarily for telecommunications and information services, and G-I Holdings and BMCA paid an aggregate of approximately $.3 and $.2 million in 1994 and 1995, respectively, to ISP for certain legal services, which in each case were not encompassed within the Management Agreement.

ISP and its subsidiaries also borrow from G-I Holdings and its subsidiaries at the same rates available to ISP under the ISP Credit Agreement. Such borrowings outstanding at December 31, 1994 and 1995 and September 29, 1996 comprised $41.3, $50.6 and $17.8 million, respectively, classified as current, and $91.7, $67.2 and $81.0 million, respectively, classified as long term.

Certain executive officers of ISP were granted stock appreciation rights in 1993 and 1994 relating to GAF's common stock. Compensation expense in connection with such stock appreciation rights is reflected in G-I Holdings' operating expense and was immaterial for 1995, 1994 and 1993.



G-I_EPA0009307

**NOTE 16. SUBSEQUENT EVENT (UNAUDITED)**

On October 18, 1996, ISP Holdings concluded a cash tender offer and consent solicitation for G-I Holdings' outstanding Senior Discount Notes. Pursuant to the tender offer, $428.5 million aggregate principal amount of G-I Holdings' Senior Discount Notes were purchased by ISP Holdings and $133 million aggregate principal amount of such Discount Notes were subsequently repurchased by G-I Holdings from ISP Holdings. ISP Holdings also concluded an offer to exchange its new Senior Notes due February 15, 2002 for G-I Holdings' Senior Notes. Pursuant to the exchange offer, $199.9 million of the G-I Holdings' Senior Notes were acquired by ISP Holdings.

Furthermore, subject to certain conditions, GAF intends to effect a series of transactions involving its subsidiaries that will result in the capital stock of ISP Holdings (whose principal asset will then be approximately 83% of the issued and outstanding common stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP will no longer be direct or indirect subsidiaries of GAF, and the other assets of GAF, principally the building materials business, consisting of BMCA and USI, will remain assets of G-I Holdings. G-I Holdings will remain a wholly-owned subsidiary of ISP Holdings until such transactions are consummated. Upon consummation of such transactions, all G-I Holdings' Senior Discount Notes and G-I Holdings' Senior Notes then held by ISP Holdings will be contributed to G-I Holdings and be cancelled.



G-I_EPA0009308

**ISP HOLDINGS INC.**
**SUPPLEMENTARY DATA (UNAUDITED)**
**QUARTERLY FINANCIAL DATA (UNAUDITED)**

| | 1994 BY QUARTER | | | | 1995 BY QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | FIRST | SECOND | THIRD | FOURTH | FIRST | SECOND | THIRD | FOURTH |
| | (MILLIONS) | | | | | | | |
| Net sales | $147.5 | $155.8 | $ 149.2 | $147.5 | $179.9 | $182.6 | $167.8 | $158.7 |
| Cost of products sold | 90.3 | 93.2 | 92.5 | 91.7 | 113.2 | 109.2 | 99.9 | 92.4 |
| Gross profit | $ 57.2 | $ 62.6 | $ 56.7 | $ 55.8 | $ 66.7 | $ 73.4 | $ 67.9 | $ 66.3 |
| Operating income | $ 24.8 | $ 29.7 | $ 22.8 | $ 21.9 | $ 31.2 | $ 36.2 | $ 31.8 | $ 27.9 |
| Income from continuing operations before income taxes and extraordinary item | $ 16.5 | $ 23.6 | $ 22.7 | $ 9.7 | $ 24.1 | $ 29.6 | $ 27.5 | $ 24.9 |
| Income taxes | (6.2) | (8.8) | (8.4) | (3.4) | (9.0) | (11.1) | (9.9) | (8.7) |
| Minority interest in income of subsidiary | (2.0) | (2.9) | (2.5) | (1.2) | (2.9) | (3.4) | (3.2) | (2.8) |
| Income from continuing operations before extraordinary item | 8.3 | 11.9 | 11.8 | 5.1 | 12.2 | 15.1 | 14.4 | 13.4 |
| Income (loss) from discontinued operations, net of income taxes | (6.6) | 11.3 | (2.6) | (10.0) | (9.4) | (3.8) | (2.6) | (6.5) |
| Income (loss) before extraordinary item | 1.7 | 23.2 | 9.2 | (4.9) | 2.8 | 11.3 | 11.8 | 6.9 |
| Extraordinary item, net of related income tax benefit | -- | -- | (1.2) | -- | -- | -- | -- | -- |
| Net income (loss) | $ 1.7 | $ 23.2 | $ 8.0 | $ (4.9) | $ 2.8 | $ 11.3 | $ 11.8 | $ 6.9 |



G-I_EPA0009309

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE EXCHANGE OFFERS COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ISP HOLDINGS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE NOTES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

**TABLE OF CONTENTS**

**PAGE**


| | |
|---|---|
| Summary | 1 |
| Risk Factors | 15 |
| Capitalization | 20 |
| Selected Financial Data | 21 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 23 |
| The Spin Off Transactions | 28 |
| The ISP Holdings Transactions | 29 |
| Business | 30 |
| Management | 39 |
| Executive Compensation | 43 |
| Security Ownership of Certain Beneficial Owners and Management | 46 |
| Tax Sharing Agreement | 47 |
| Certain Relationships | 48 |
| The Exchange Offers | 49 |
| Description of the New Notes | 55 |
| Certain Federal Income Tax Considerations | 78 |
| Plan of Distribution | 80 |
| Legal Matters | 80 |
| Experts | 81 |
| Available Information | 81 |
| Index to Financial Statements | F-1 |


$325,000,000
**SERIES B 9% SENIOR NOTES**

**DUE 2003**

**AND**

$199,871,000
**SERIES B 9 3/4% SENIOR NOTES**
**DUE 2002**

**ISP HOLDINGS INC.**

**PROSPECTUS**

, 199

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

### ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

ISP Holdings Inc. is a Delaware corporation. Subsection (b)(7) of Section 102 of the Delaware General Corporation Law (the 'DGCL'), enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for violations of the director's fiduciary duty, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or
(iv) for any transaction from which a director derived an improper personal benefit. Article Seventh of ISP Holdings' Certificate of Incorporation has eliminated the personal liability of directors to the fullest extent permitted by Subsection (b)(7) of Section 102 of the DGCL.

Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding provided that such director or officer acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, provided further that such director or officer has no reasonable cause to believe his conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit provided that such director or officer acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such director or officer is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery

or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; that indemnification and advancement of expenses provided for, by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and empowers the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liabilities under Section 145.

Article VIII of the Company's By-Laws states that the corporation shall indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by reason of the fact that he is or was a director, officer or employee of the corporation, or is or was serving at the request of



G-I_EPA0009311

**ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.--(CONTINUED)**

the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against judgments, fines and amounts paid in settlement actually incurred by him in connection with such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation.

**ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a) Exhibits

| | | |
|---|---|---|
| *3.1 | -- | Certificate of Incorporation of ISP Holdings. |
| *3.2 | -- | By-laws of ISP Holdings. |
| *4.1 | -- | 9% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee. |
| *4.2 | -- | 9 3/4% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee (including the Registration Rights Agreement of ISP Holdings attached thereto). |
| *4.3 | -- | Form of Notes (included in Exhibits 4.1 and 4.2). |
| *4.4 | -- | Registration Rights Agreement, dated October 18, 1996, between ISP Holdings and Bear, Stearns & Co. Inc. |
| **5 | -- | Opinion of Weil, Gotshal & Manges LLP re: legality. |
| **8 | -- | Opinion of Weil, Gotshal & Manges LLP re: tax matters. |
| 10.1 | -- | Management Agreement, dated as of March 3, 1992 ('Management Agreement'), among GAF, G-I Holdings, G Industries, ISP, GAF Building Materials Corporation and GAF Broadcasting (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 33-72220)). |
| 10.2 | -- | Amendment No. 1, dated as of January 1, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.10 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |
| 10.3 | -- | Amendment No. 2, dated as of May 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.1 to G-I Holdings' Form 10-Q for the quarter ended July 3, 1994). |
| 10.4 | -- | Amendment No. 3, dated as of December 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.4 to ISP's Form 10-K for the year ended December 31, 1994). |
| 10.5 | -- | Amendment No. 4, dated as of December 31, 1995, to the Management Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 333-2436)). |
| *10.6 | -- | Amendment No. 5, dated as of October 18, 1996 to the Management Agreement. |
| *10.7 | -- | Indemnification Agreement, dated as of October 18, 1996 among GAF, G-I Holdings, ISP Holdings, G Industries and GCC. |
| **10.8 | -- | Tax Sharing Agreement, dated as of December , 1996, between ISP Holdings and ISP. |
| 10.9 | -- | Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to ISP's Registration Statement on Form S-1, Registration No. 33-40337). |
| 10.10 | -- | ISP Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to ISP's Registration Statement on Form S-8, No. 33-92518). |
| 10.11 | -- | Agreement, dated July 30, 1993, between ISP and Carl R. Eckardt (incorporated by reference to Exhibit 10.16 to the Discount Notes Registration Statement). |
| 10.12 | -- | Stock Appreciation Rights Agreement, dated January 20, 1994, between GAF and James P. Rogers (incorporated by reference to Exhibit 10.20 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |

**ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.--(CONTINUED)**

| | | |
|---|---|---|
| 10.13 | -- | Indenture, dated as of March 1, 1992, relating to ISP's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to ISP's Registration Statement on Form S-1, Registration No. 33-44862). |
| *10.14 | -- | Letter Agreement dated October 15, 1996 between GAF and Dr. Peter Heinze. |
| *12 | -- | Computation of Ratio of Earnings to Fixed Charges. |
| *21 | -- | Subsidiaries of ISP Holdings. |
| *23.1 | -- | Consent of Arthur Andersen LLP. |
| **23.2 | -- | Consent of Weil, Gotshal & Manges LLP (included in Exhibits 5 and 8). |
| *24 | -- | Power of Attorney (included on signature pages to Registration Statement). |
| *25.1 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9% Note Indenture (bound separately). |
| *25.2 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9 3/4% Note Indenture (bound separately). |
| *27.1 | -- | Financial Data Schedule for fiscal year 1995, which is submitted electronically to the Securities and Exchange Commission for information only. |
| *27.2 | -- | Financial Data Schedule for the first nine months of fiscal year 1996, which is submitted electronically to the Securities and Exchange Commission for information only. |
| **99.1 | -- | Form of 9% Note Letter of Transmittal. |
| **99.2 | -- | Form of 9 3/4% Note Letter of Transmittal. |
| **99.3 | -- | Form of 9% Notice of Guaranteed Delivery. |
| **99.4 | -- | Form of 9 3/4% Notice of Guaranteed Delivery. |
| **99.5 | -- | Form of Exchange Agreement between The Bank of New York and ISP Holdings. |

* Filed herewith. ** To be filed by Amendment.

(b) Schedules


Consolidated Financial Statement Schedules:
Report of Independent Public Accountants..... S-1
Schedule II--Valuation and Qualifying Accounts..... S-2


**ITEM 22. UNDERTAKINGS.**

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(c) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Wayne, State of New Jersey, on the 12th day of December 1996.

**ISP HOLDINGS INC.**

*By: /s/ James P. Rogers*
*Name: James P. Rogers*
*Title: Senior Vice President and Chief Financial Officer*

*POWER OF ATTORNEY*

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated. Each of Messrs. Heyman and Stern hereby constitutes James P. Rogers such person's true and lawful attorney, with full power of substitution to sign for such person and in such person's name and capacity indicated below, any and all amendments to this Registration Statement, and to file the same with the Securities and Exchange Commission, hereby ratifying and confirming such person's signature as it may be signed by said attorney to any and all amendments.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ Samuel J. Heyman<br>Samuel J. Heyman | Chairman, Chief Executive Officer and Director (Principal Executive Officer) | December 12, 1996 |
| /s/ James P. Rogers<br>James P. Rogers | Senior Vice President and Chief Financial Officer (Principal Financial Officer) | December 12, 1996 |
| /s/ Jonathan H. Stern<br>Jonathan H. Stern | Vice President and Controller (Principal Accounting Officer) | December 12, 1996 |



G-I_EPA0009314

# EXHIBIT INDEX

| EXHIBIT NUMBER | | DESCRIPTION |
|---|---|---|
| *3.1 | -- | Certificate of Incorporation of ISP Holdings. |
| *3.2 | -- | By-laws of ISP Holdings. |
| *4.1 | -- | 9% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee. |
| *4.2 | -- | 9 3/4% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee (including the Registration Rights Agreement of ISP Holdings attached thereto). |
| *4.3 | -- | Form of Notes (included in Exhibits 4.1 and 4.2). |
| *4.4 | -- | Registration Rights Agreement, dated October 18, 1996, between ISP Holdings and Bear, Stearns & Co. Inc. |
| **5 | -- | Opinion of Weil, Gotshal & Manges LLP re: legality. |
| **8 | -- | Opinion of Weil, Gotshal & Manges LLP re: tax matters. |
| 10.1 | -- | Management Agreement, dated as of March 3, 1992 ('Management Agreement'), among GAF, G-I Holdings, G Industries, ISP, GAF Building Materials Corporation and GAF Broadcasting (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 33-72220)). |
| 10.2 | -- | Amendment No. 1, dated as of January 1, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.10 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |
| 10.3 | -- | Amendment No. 2, dated as of May 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.1 to G-I Holdings' Form 10-Q for the quarter ended July 3, 1994). |
| 10.4 | -- | Amendment No. 3, dated as of December 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.4 to ISP's Form 10-K for the year ended December 31, 1994). |
| 10.5 | -- | Amendment No. 4, dated as of December 31, 1995, to the Management Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 333-2436)). |
| *10.6 | -- | Amendment No. 5, dated as of October 18, 1996 to the Management Agreement. |
| *10.7 | -- | Indemnification Agreement, dated as of October 18, 1996 among GAF, G-I Holdings, ISP Holdings, G Industries and GCC. |
| **10.8 | -- | Tax Sharing Agreement, dated as of December , 1996, between ISP Holdings and ISP. |
| 10.9 | -- | Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to ISP's Registration Statement on Form S-1, Registration No. 33-40337). |
| 10.10 | -- | ISP Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to ISP's Registration Statement on Form S-8, No. 33-92518). |
| 10.11 | -- | Agreement, dated July 30, 1993, between ISP and Carl R. Eckardt (incorporated by reference to Exhibit 10.16 to the Discount Notes Registration Statement). |
| 10.12 | -- | Stock Appreciation Rights Agreement, dated January 20, 1994, between GAF and James P. Rogers (incorporated by reference to Exhibit 10.20 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |
| 10.13 | -- | Indenture, dated as of March 1, 1992, relating to ISP's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to ISP's Registration Statement on Form S-1, Registration No. 33-44862). |
| *10.14 | -- | Letter Agreement dated October 15, 1996 between GAF and Dr. Peter Heinze. |
| *12 | -- | Computation of Ratio of Earnings to Fixed Charges. |

| EXHIBIT NUMBER | | DESCRIPTION |
|---|---|---|
| *21 | -- | Subsidiaries of ISP Holdings. |
| *23.1 | -- | Consent of Arthur Andersen LLP. |
| **23.2 | -- | Consent of Weil, Gotshal & Manges LLP (included in Exhibits 5 and 8). |
| *24 | -- | Power of Attorney (included on signature pages to Registration Statement). |
| *25.1 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9% Note Indenture (bound separately). |
| *25.2 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9 3/4% Note Indenture (bound separately). |
| *27.1 | -- | Financial Data Schedule for fiscal year 1995, which is submitted electronically to the Securities and Exchange Commission for information only. |
| *27.2 | -- | Financial Data Schedule for the first nine months of fiscal year 1996, which is submitted electronically to the Securities and Exchange Commission for information only. |
| **99.1 | -- | Form of 9% Note Letter of Transmittal. |
| **99.2 | -- | Form of 9 3/4% Note Letter of Transmittal. |
| **99.3 | -- | Form of 9% Notice of Guaranteed Delivery. |
| **99.4 | -- | Form of 9 3/4% Notice of Guaranteed Delivery. |
| **99.5 | -- | Form of Exchange Agreement between The Bank of New York and ISP Holdings. |

* Filed herewith. ** To be filed by Amendment.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

**To ISP Holdings Inc.:**

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of ISP Holdings Inc. and subsidiaries included in this registration statement and have issued our report thereon dated August 7, 1996. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in item 21(b) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

*/s/ Arthur Andersen LLP*
*ARTHUR ANDERSEN LLP*

*Roseland, New Jersey*
*August 7, 1996*



G-I_EPA0009317

## SCHEDULE II

## ISP HOLDINGS INC.
## VALUATION AND QUALIFYING ACCOUNTS

### YEAR ENDED DECEMBER 31, 1993
(THOUSANDS)

| DESCRIPTION | BALANCE JANUARY 1, 1993 | CHARGED TO COSTS AND EXPENSES | DEDUCTIONS | BALANCE DECEMBER 31, 1993 |
|---|---|---|---|---|
| Valuation and Qualifying Accounts Deducted from Assets to Which They Apply: | | | | |
| Allowance for doubtful accounts | $2,105 | $ 392 | $ 184(a) | $ 2,313 |
| Reserve for inventory market valuation | 5,872 | 5,142 | 2,023 | 8,991 |

### YEAR ENDED DECEMBER 31, 1994
(THOUSANDS)

| DESCRIPTION | BALANCE JANUARY 1, 1994 | CHARGED TO COSTS AND EXPENSES | DEDUCTIONS | BALANCE DECEMBER 31, 1994 |
|---|---|---|---|---|
| Valuation and Qualifying Accounts Deducted from Assets to Which They Apply: | | | | |
| Allowance for doubtful accounts | $2,313 | $ 325 | $ 346(a) | $ 2,292 |
| Reserve for inventory market valuation | 8,991 | 7,052 | 6,412 | 9,631 |

### YEAR ENDED DECEMBER 31, 1995
(THOUSANDS)

| DESCRIPTION | BALANCE JANUARY 1, 1995 | CHARGED TO COSTS AND EXPENSES | DEDUCTIONS | BALANCE DECEMBER 31, 1995 |
|---|---|---|---|---|
| Valuation and Qualifying Accounts Deducted from Assets to Which They Apply: | | | | |
| Allowance for doubtful accounts | $2,292 | $ 681 | $ 94(a) | $ 2,879 |
| Reserve for inventory market valuation | 9,631 | 8,861 | 4,514 | 13,978 |

Note:
(a) Represents write-offs of uncollectible accounts net of recoveries.



G-I_EPA0009318

# EXHIBIT INDEX

| EXHIBIT NUMBER | | DESCRIPTION |
|---|---|---|
| *3.1 | -- | Certificate of Incorporation of ISP Holdings. |
| *3.2 | -- | By-laws of ISP Holdings. |
| *4.1 | -- | 9% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee. |
| *4.2 | -- | 9 3/4% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee (including the Registration Rights Agreement of ISP Holdings attached thereto). |
| *4.3 | -- | Form of Notes (included in Exhibits 4.1 and 4.2). |
| *4.4 | -- | Registration Rights Agreement, dated October 18, 1996, between ISP Holdings and Bear, Stearns & Co. Inc. |
| **5 | -- | Opinion of Weil, Gotshal & Manges LLP re: legality. |
| **8 | -- | Opinion of Weil, Gotshal & Manges LLP re: tax matters. |
| 10.1 | -- | Management Agreement, dated as of March 3, 1992 ('Management Agreement'), among GAF, G-I Holdings, G Industries, ISP, GAF Building Materials Corporation and GAF Broadcasting (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 33-72220)). |
| 10.2 | -- | Amendment No. 1, dated as of January 1, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.10 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |
| 10.3 | -- | Amendment No. 2, dated as of May 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.1 to G-I Holdings' Form 10-Q for the quarter ended July 3, 1994). |
| 10.4 | -- | Amendment No. 3, dated as of December 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.4 to ISP's Form 10-K for the year ended December 31, 1994). |
| 10.5 | -- | Amendment No. 4, dated as of December 31, 1995, to the Management Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 333-2436)). |
| *10.6 | -- | Amendment No. 5, dated as of October 18, 1996 to the Management Agreement. |
| *10.7 | -- | Indemnification Agreement, dated as of October 18, 1996 among GAF, G-I Holdings, ISP Holdings, G Industries and GCC. |
| **10.8 | -- | Tax Sharing Agreement, dated as of December , 1996, between ISP Holdings and ISP. |
| 10.9 | -- | Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to ISP's Registration Statement on Form S-1, Registration No. 33-40337). |
| 10.10 | -- | ISP Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to ISP's Registration Statement on Form S-8, No. 33-92518). |
| 10.11 | -- | Agreement, dated July 30, 1993, between ISP and Carl R. Eckardt (incorporated by reference to Exhibit 10.16 to the Discount Notes Registration Statement). |
| 10.12 | -- | Stock Appreciation Rights Agreement, dated January 20, 1994, between GAF and James P. Rogers (incorporated by reference to Exhibit 10.20 to G-I Holdings' Form 10-K for the year ended December 31, 1993). |
| 10.13 | -- | Indenture, dated as of March 1, 1992, relating to ISP's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to ISP's Registration Statement on Form S-1, Registration No. 33-44862). |
| *10.14 | -- | Letter Agreement dated October 15, 1996 between GAF and Dr. Peter Heinze. |
| *12 | -- | Computation of Ratio of Earnings to Fixed Charges. |

| EXHIBIT NUMBER | | DESCRIPTION |
|---|---|---|
| *21 | -- | Subsidiaries of ISP Holdings. |
| *23.1 | -- | Consent of Arthur Andersen LLP. |
| **23.2 | -- | Consent of Weil, Gotshal & Manges LLP (included in Exhibits 5 and 8). |
| *24 | -- | Power of Attorney (included on signature pages to Registration Statement). |
| *25.1 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9% Note Indenture (bound separately). |
| *25.2 | -- | Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9 3/4% Note Indenture (bound separately). |
| *27.1 | -- | Financial Data Schedule for fiscal year 1995, which is submitted electronically to the Securities and Exchange Commission for information only. |
| *27.2 | -- | Financial Data Schedule for the first nine months of fiscal year 1996, which is submitted electronically to the Securities and Exchange Commission for information only. |
| **99.1 | -- | Form of 9% Note Letter of Transmittal. |
| **99.2 | -- | Form of 9 3/4% Note Letter of Transmittal. |
| **99.3 | -- | Form of 9% Notice of Guaranteed Delivery. |
| **99.4 | -- | Form of 9 3/4% Notice of Guaranteed Delivery. |
| **99.5 | -- | Form of Exchange Agreement between The Bank of New York and ISP Holdings. |

* Filed herewith. ** To be filed by Amendment.

**EXHIBIT 3.1**

# CERTIFICATE OF INCORPORATION

# OF

# ISP HOLDINGS INC.

---

THE UNDERSIGNED, being a natural person for the purposes of organizing a corporation under the General Corporation Law of the State of Delaware, hereby certifies that:

FIRST: The name of the Corporation is ISP Holdings Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the Corporation in the State of Delaware at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as from time to time amended.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 1000, all of which shares shall be Common Stock having a par value of $.001.

FIFTH: The name and mailing address of the incorporator is Shelley A. Sorkin, c/o ISP Management Company, Inc., 1361 Alps Road, Wayne, New Jersey 07470.

SIXTH: In furtherance and not in limitation of the powers conferred by law, subject to any limitations contained elsewhere in these articles of incorporation, By-laws of the Corporation may be adopted, amended or repealed by a majority of the board of directors of the Corporation, but any By-laws adopted by the board of directors may be amended or repealed by the stockholders entitled to vote thereon. Election of directors need not be by written ballot.

SEVENTH: (a) A director of the Corporation shall not be personally liable either to the Corporation or to any stockholder for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, or (ii) for acts or omissions which are not in good faith or which involve intentional misconduct or knowing violation of the law, or (iii) for any matter in respect of which such director shall be liable under Section 174 of Title 8 of the General Corporation Law of the State of Delaware or any amendment thereto or successor provision thereto, or (iv) for any transaction from which the director

shall have derived an improper personal benefit. Neither amendment nor repeal of this paragraph (a) nor the adoption of any provision of the Certificate of Incorporation inconsistent with this paragraph (a) shall eliminate or reduce the effect of this paragraph (a) in respect of any matter occurring, or any cause of action, suit or claim that, but for this paragraph (a) of this Article, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to, or testifies in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permitted by law, and the Corporation may adopt By-laws or enter into agreements with any such person for the purpose of providing for such indemnification.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Incorporation on this 6th day of August, 1996.

*/s/Shelley A. Sorkin*
---
*Shelley A. Sorkin*
*Sole Incorporator*

**BY-LAWS EXHIBIT 3.2**

**OF**

**ISP HOLDINGS INC.**

(a Delaware corporation)

## ARTICLE I

## STOCKHOLDERS

1. CERTIFICATES REPRESENTING STOCK. Certificates representing stock in the corporation shall be signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors, if any, or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation. Any or all the signatures on any such certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Whenever the corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, and whenever the corporation shall issue any shares of its stock as partly paid stock, the certificates representing shares of any such class or series or of any such partly paid stock shall set forth thereon the statements prescribed by the General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The corporation may issue a new certificate of stock or uncertificated shares in place of any certificate theretofore issued by it, alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of the lost, stolen, or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares.

2. UNCERTIFICATED SHARES. Subject to any conditions imposed by the General Corporation Law, the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the corporation shall send to the registered owner thereof any written notice prescribed by the General Corporation Law.

3. FRACTIONAL SHARE INTERESTS. The corporation may, but shall not be required to, issue fractions of a share. If the corporation does not issue fractions of a share, it shall (1) arrange for the disposition of fractional interests by those entitled thereto, (2) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (3) issue scrip or warrants in registered form (either represented by a certificate or uncertificated) or bearer form (represented by a certificate) which shall entitle the holder to receive a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share or an uncertificated fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the corporation in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing the full shares or uncertificated full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

4. STOCK TRANSFERS. Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the corporation shall be made only on the stock ledger of the corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and, in the case of shares represented by certificates, on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes due thereon.



G-I_EPA0009324

5. RECORD DATE FOR STOCKHOLDERS. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however,

that the Board of Directors may fix a new record date for the adjourned meeting. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining the stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by the General Corporation Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the General Corporation Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to

exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

6. MEANING OF CERTAIN TERMS. As used herein in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the certificate of incorporation confers such rights where there are two or more classes or series of shares of

stock or upon which or upon whom the General Corporation Law confers such rights notwithstanding that the certificate of incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder; provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the certificate of incorporation, except as any provision of law may otherwise require.

7. STOCKHOLDER MEETINGS.

- TIME. The annual meeting shall be held on the date and at the time fixed, from time to time, by the directors, provided, that the first annual meeting shall be held on a date within thirteen months after the organization of the corporation, and each successive annual meeting shall be held on a date within thirteen months after the date of the preceding annual meeting. A special meeting shall be held on the date and at the time fixed by the directors.

- PLACE. Annual meetings and special meetings shall be held at such place, within or without the State of Delaware, as the directors may, from time to time, fix. Whenever the directors shall fail to fix such place, the meeting shall be held at the registered office of the corporation in the State of Delaware.

- CALL. Annual meetings and special meetings may be called by the directors or by any officer instructed by the directors to call the meeting.

- NOTICE OR WAIVER OF NOTICE. Written notice of all meetings shall be given, stating the place, date, and hour of the meeting and stating the place within the city or other municipality or community at which the list of stockholders of the corporation may be examined. The notice of an annual meeting shall state that the meeting is called for the election of directors and for the transaction of other business which may properly come before the meeting, and shall (if any other action which could be taken at a special meeting is to be taken at such annual meeting) state the purpose or purposes. The notice of a special meeting shall in all instances state the purpose or purposes for which the meeting is called. The notice of any meeting shall also include, or be accompanied by, any additional statements, information, or documents prescribed by the General Corporation Law. Except as otherwise provided by the General Corporation Law, a copy of the notice of any meeting shall be given, personally or by mail, not less than ten days nor more than sixty days before the date of the meeting, unless the lapse of the prescribed period of time shall have been waived, and directed to each stockholder at his record address or at such other address which he may have furnished by request in writing to the Secretary of the corporation. Notice by mail shall be deemed to be given when deposited, with

postage thereon prepaid, in the United States Mail. If a meeting is adjourned to another time, not more than thirty days thence, and/or to another place, and if an announcement of the adjourned time and/or place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting unless the directors, after adjournment, fix a new record date for the adjourned meeting. Notice need not be given to any stockholder who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be

transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

- STOCKHOLDER LIST. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city or other municipality or community where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote at any meeting of stockholders.

CONDUCT OF MEETING. Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stockholders. The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the Chairman of the meeting shall appoint a secretary of the meeting.

- PROXY REPRESENTATION. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, voting or

participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled

with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

- INSPECTORS. The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspectors at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question, or matter determined by him or them and execute a certificate of any fact found by him or them.

- QUORUM. The holders of a majority of the outstanding shares of stock shall constitute a quorum at a meeting of stockholders for the transaction of any business. The stockholders present may adjourn the meeting despite the absence of a quorum.

- VOTING. Each share of stock shall entitle the holders thereof to one vote. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Any other action shall be authorized by a majority of the votes cast except where the General Corporation Law prescribes a different percentage of votes and/or a different exercise of voting power, and except as may be otherwise prescribed by the provisions of the certificate of incorporation and these Bylaws.

In the election of directors, and for any other action, voting need not be by ballot.

8. STOCKHOLDER ACTION WITHOUT MEETINGS. Any action required by the General Corporation Law to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Action taken pursuant to this paragraph shall be subject to the provisions of Section 228 of the General Corporation Law.

## ARTICLE II

## DIRECTORS

1. FUNCTIONS AND DEFINITION. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors of the corporation. The Board of Directors shall have the authority to fix the compensation of the members thereof. The use of the phrase "whole board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

2. QUALIFICATIONS AND NUMBER. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The initial Board of Directors shall consist of one person. Thereafter the number of directors constituting the whole board shall be at least one. Subject to the foregoing limitation and except for the first Board of Directors, such number may be fixed from time to time by action of the stockholders or of the directors, or, if the number is not fixed, the number shall be one. The number of directors may be increased or decreased by action of the stockholders or of the directors.

3. ELECTION AND TERM. The first Board of Directors, unless the members thereof shall have been named in the certificate of incorporation, shall be elected by the incorporator or incorporators and shall hold office until the first annual meeting



G-I_EPA0009330

of stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Any director may resign at any time upon written notice to the corporation. Thereafter, directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Except as the General Corporation Law may otherwise require, in the interim between annual meetings of stockholders or of special meetings of stockholders called for the election of directors and/or for the removal of one or more directors and for the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause or without cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

4. MEETINGS.

- TIME. Meetings shall be held at such time as the Board shall fix, except that the first meeting of a newly elected Board shall be held as soon after its election as the directors may conveniently assemble.

- PLACE. Meetings shall be held at such place within or without the State of Delaware as shall be fixed by the Board.

- CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, or the President, or of a majority of the directors in office.

- NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction

of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

- QUORUM AND ACTION. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, and except as otherwise provided by the General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these Bylaws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board, may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

- CHAIRMAN OF THE MEETING. The Chairman of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairman of the Board, if any and if present and acting, or the President, if present and acting, or any other director chosen by the Board, shall preside.

5. REMOVAL OF DIRECTORS. Except as may otherwise be provided by the General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

6. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of
any such absent or disqualified member. Any such committee, to the extent

provided in the resolution of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the corporation with the exception of any authority the delegation of which is prohibited by Section 141 of the General Corporation Law, and may authorize the seal of the corporation to be affixed to all papers which may require it.

7. WRITTEN ACTION. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

## ARTICLE III

## OFFICERS

The officers of the corporation shall consist of a President, a Secretary, a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairman of the Board, a Vice-Chairman of the Board, one or more Executive Vice-Presidents, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate. Except as may otherwise be provided in the resolution of the Board of Directors choosing him, no officer other than the Chairman or Vice-Chairman of the Board, if any, need be a director. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing him, each officer shall be chosen for a term which shall continue until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor shall have been chosen and qualified.

All officers of the corporation shall have such authority and perform such duties in the management and operation of the



G-I_EPA0009333

corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or an Assistant Secretary of the corporation shall record all of the proceedings of all meetings and actions in writing of stockholders, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board shall assign to him. Any officer may be removed, with or without cause, by the Board of Directors. Any vacancy in any office may be filled by the Board of Directors.

## ARTICLE IV

## CORPORATE SEAL

The corporate seal shall be in such form as the Board of Directors shall prescribe.

## ARTICLE V

## FISCAL YEAR

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

## ARTICLE VI

## CONTROL OVER BYLAWS

Subject to the provisions of the certificate of incorporation and the provisions of the General Corporation Law, the power to amend, alter, or repeal these Bylaws and to adopt new Bylaws may be exercised by the Board of Directors or by the stockholders.

## ARTICLE VII

## LIMITATION OF LIABILITY

No person shall be liable to the corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken by him as a director or officer of the corporation if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, or,



G-I_EPA0009334

with respect to any criminal matter, had no reasonable cause to believe his conduct was unlawful.

## ARTICLE VIII

## INDEMNIFICATION

1. POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS OTHER THAN THOSE BY OR IN THE RIGHT OF THE CORPORATION. Subject to Section 3 of this Article VIII, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative

(other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer or employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

2. POWER TO INDEMNIFY IN ACTIONS, SUITS OR PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION. Subject to Section 3 of this Article VIII, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer or employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or

settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

In addition to the foregoing, subject to Section 3 of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgement in its favor by reason of the fact that he is or was a director, officer or employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another

corporation, partnership, joint venture, trust or other enterprise against judgments, fines and amounts paid in settlement actually incurred by him in connection with such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation.

3. AUTHORIZATION OF INDEMNIFICATION. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the corporation upon a determination that indemnification of the director, officer or employee is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that such director, officer or employee of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually

and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

4. GOOD FAITH DEFINED. For purposes of any determination under Article VII or Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the corporation or another enterprise, or on information supplied to him by the officers of the corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the corporation or another enterprise or on information or records given or reports made to the corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the corporation as a director, officer or employee. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

5. INDEMNIFICATION BY A COURT. Notwithstanding any contrary determination under Section 3 of this Article VIII, and notwithstanding the absence of any

determination thereunder, any director, officer or employee of the corporation or of another corporation, partnership, joint venture, trust or other enterprise who is or was serving at the request of the corporation may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer or employee is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Notice of any application for indemnification pursuant to this Section 5 shall be given to the corporation promptly upon the filing of such application.

6. EXPENSES PAYABLE IN ADVANCE. Expenses incurred in defending or investigating a threatened or pending action, suit or

proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the director, officer or employee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article VIII.

7. NON-EXCLUSIVITY AND SURVIVAL OF INDEMNIFICATION. The indemnification provided by this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the certificate of incorporation, any By-law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding official capacity and as to action in another capacity while holding office, it being the policy of the corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII, shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII, but whom the corporation has the power or obligation to indemnify under the provision of the General Corporation Law, or otherwise. The indemnification provided by this Article VIII shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such person.

8. INSURANCE. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the corporation, or is or was serving at the request of the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the

corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

9. MEANING OF "CORPORATION" FOR PURPOSES OF ARTICLE VIII. For purposes of this Article VIII, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its



G-I_EPA0009338

separate existence had continued, would have had power and authority to indemnify its directors, officers and employees so that any person who is or was a director, officer or employee of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer or employee of another corporation partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

**ISP HOLDINGS INC.**

**9% Senior Notes due 2003**

and

**Series B 9% Senior Notes due 2003**

---

**INDENTURE**

**Dated as of October 18, 1996**

---

**THE BANK OF NEW YORK**

---

**Trustee**

## CROSS-REFERENCE TABLE*

| Trust Indenture Act Section | Indenture Section |
|---|---|
| 310(a)(1) | 7.10 |
| (a)(2) | 7.10 |
| (a)(3) | N.A. |
| (a)(4) | N.A. |
| (a)(5) | 7.08 |
| (b) | 7.08; 7.10; 10.02 |
| (c) | N.A. |
| 311(a) | 7.11 |
| (b) | 7.11 |
| (c) | N.A. |
| 312(a) | 2.05 |
| (b) | 10.03 |
| (c) | 10.03 |
| 313(a) | 7.06 |
| (b)(1) | N.A. |
| (b)(2) | 7.06 |
| (c) | 7.06; 10.02 |
| (d) | 7.06 |
| 314(a) | 4.05; 4.06; 10.02 |
| (b) | N.A. |
| (c)(1) | 10.04 |
| (c)(2) | 10.04 |
| (c)(3) | N.A. |
| (d) | N.A. |
| (e) | 10.05 |
| (f) | N.A. |
| 315(a) | 7.12(b) |
| (b) | 7.05; 10.02 |
| (c) | 7.12(a) |
| (d) | 7.12(c) |
| (e) | 6.11 |
| 316(a)(last sentence) | 2.09 |
| (a)(1)(A) | 6.05 |
| (a)(1)(B) | 6.04 |
| (a)(2) | N.A. |
| (b) | 6.07 |
| (c) | 9.04 |
| 317(a)(1) | 6.08 |
| (a)(2) | 6.09 |
| (b) | 2.04 |
| 318(a) | 10.01 |

N.A. means "not applicable."

* This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.



G-I_EPA0009341

## TABLE OF CONTENTS

**Page**

## ARTICLE I

## DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions..... 1
SECTION 1.02. Incorporation by Reference of Trust Indenture Act..... 26
SECTION 1.03. Rules of Construction..... 26

## ARTICLE II

## THE NOTES

SECTION 2.01. Form and Dating..... 27
SECTION 2.02. Execution and Authentication; Aggregate Principal Amount..... 27
SECTION 2.03. Registrar and Paying Agent..... 29
SECTION 2.04. Paying Agent To Hold Money in Trust..... 29
SECTION 2.05. Holder Lists..... 29
SECTION 2.06. Transfer and Exchange..... 30
SECTION 2.07. Replacement Notes..... 32
SECTION 2.08. Outstanding Notes..... 32
SECTION 2.09. Treasury Notes..... 32
SECTION 2.10. Temporary Notes..... 33
SECTION 2.11. Cancellation..... 33
SECTION 2.12. Defaulted Interest..... 33
SECTION 2.13. CUSIP Number..... 33
SECTION 2.14. Deposit of Moneys..... 34

## ARTICLE III

## REDEMPTION

SECTION 3.01. Notices to Trustee..... 34
SECTION 3.02. Selection of Notes To Be Redeemed..... 35
SECTION 3.03. Notice of Redemption..... 35
SECTION 3.04. Effect of Notice of Redemption..... 36
SECTION 3.05. Deposit of Redemption Price..... 36
SECTION 3.06. Notess Redeemed in Part..... 36



G-I_EPA0009342

## ARTICLE IV

## COVENANTS


SECTION 4.01. Payment of Notes..... 37
SECTION 4.02. Maintenance of Office or Agency..... 37
SECTION 4.03. Corporate Existence..... 37
SECTION 4.04. Payment of Taxes and Other Claims..... 38
SECTION 4.05. Compliance Certificates..... 38
SECTION 4.06. Securities and Exchange Commission Reports..... 39
SECTION 4.07. Waiver of Stay, Extension or Usury Laws..... 40
SECTION 4.08. Maintenance of Properties..... 40
SECTION 4.09. Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries..... 41
SECTION 4.10. Limitation on Debt and Preferred Stock of BMCA Subsidiaries..... 43
SECTION 4.11. Limitation on Debt and Preferred Stock of Specified Subsidiaries..... 44
SECTION 4.12. Prohibition on Debt and Capital Stock of Intermediate Parents of ISP and BMCA..... 45
SECTION 4.13. Limitation on Restricted Payments and Restricted Investments..... 46
SECTION 4.14. Limitation on Liens..... 48
SECTION 4.15. Prohibition on Certain Transactions..... 49
SECTION 4.16. Limitation on Transactions with Affiliates..... 50
SECTION 4.17. Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries and BMCA Subsidiaries..... 52
SECTION 4.18. Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries..... 52
SECTION 4.19. Change of Control..... 54
SECTION 4.20. Limitation on Asset Sales..... 56
SECTION 4.21. Investment Company Act..... 59
SECTION 4.22. Consents, etc..... 59
SECTION 4.23. Registration Rights..... 60
SECTION 4.24. Spin Off..... 60


## ARTICLE V

## SUCCESSOR CORPORATION


SECTION 5.01. When the Company May Merge, etc..... 60





G-I_EPA0009343

SECTION 5.02. Successor Corporation Substituted..... 61

## ARTICLE VI

## DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default..... 61
SECTION 6.02. Acceleration..... 63
SECTION 6.03. Other Remedies..... 63
SECTION 6.04. Waiver of Past Defaults..... 64
SECTION 6.05. Control by Majority..... 64
SECTION 6.06. Limitation on Remedies..... 64
SECTION 6.07. Rights of Holders To Receive Payment..... 65
SECTION 6.08. Collection Suit by Trustee..... 65
SECTION 6.09. Trustee May File Proofs of Claim..... 65
SECTION 6.10. Priorities..... 66
SECTION 6.11. Undertaking for Costs..... 66
SECTION 6.12. Restoration of Rights and Remedies..... 67

## ARTICLE VII

## TRUSTEE

SECTION 7.01. Rights of Trustee..... 67
SECTION 7.02. Individual Rights of Trustee..... 68
SECTION 7.03. Money Held in Trust..... 68
SECTION 7.04. Trustee's Disclaimer..... 68
SECTION 7.05. Notice of Defaults..... 68
SECTION 7.06. Reports by Trustee to Holders..... 69
SECTION 7.07. Compensation and Indemnity..... 69
SECTION 7.08. Replacement of Trustee..... 70
SECTION 7.09. Successor Trustee by Merger, etc..... 71
SECTION 7.10. Eligibility; Disqualification..... 72
SECTION 7.11. Preferential Collection of Claims Against the Company..... 72
SECTION 7.12. Duties of Trustee..... 72

## ARTICLE VIII

## DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 8.01. Discharge of Liability on Notes; Defeasance..... 73
SECTION 8.02. Conditions to Defeasance..... 74
SECTION 8.03. Application of Trust Money..... 76



G-I_EPA0009344

SECTION 8.04. Repayment to Company..... 76
SECTION 8.05. Indemnity for Government Obligations..... 76
SECTION 8.06. Reinstatement..... 76

## ARTICLE IX

## AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. Without Consent of Holders..... 77
SECTION 9.02. With Consent of Holders..... 77
SECTION 9.03. Revocation and Effect of Consents..... 79
SECTION 9.04. Record Date..... 80
SECTION 9.05. Notation on or Exchange of Notes..... 80
SECTION 9.06. Trustee May Sign Amendments, etc..... 80

## ARTICLE X

## MISCELLANEOUS

SECTION 10.01. Trust Indenture Act of 1939..... 80
SECTION 10.02. Notices..... 81
SECTION 10.03. Communication by Holders with Other Holders..... 81
SECTION 10.04. Certificate and Opinion as to Conditions Precedent..... 81
SECTION 10.05. Statements Required in Certificate or Opinion..... 82
SECTION 10.06. Rules by Trustee, Paying Agent, Registrar..... 82
SECTION 10.07. Governing Law..... 82
SECTION 10.08. No Interpretation of Other Agreements..... 83
SECTION 10.09. No Recourse Against Others..... 83
SECTION 10.10. Legal Holidays..... 83
SECTION 10.11. Successors..... 83
SECTION 10.12. Duplicate Originals..... 83
SECTION 10.13. Separability..... 83
SECTION 10.14. Table of Contents, Headings, etc..... 83
SECTION 10.15. Benefits of Indenture..... 84
SIGNATURES..... 85



G-I_EPA0009345

**EXHIBITS**

EXHIBIT A -- Form of Initial Note..... A-1
EXHIBIT B -- Form of Exchange Note..... B-1

EXHIBIT C -- Form of Legend for Book-Entry
Securities..... C-1



G-I_EPA0009346

INDENTURE, dated as of October 18, 1996, between ISP HOLDINGS INC. (the "Company"), a Delaware corporation, and THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"), having its Corporate Trust Office at 101 Barclay Street, New York, New York 10286.

The parties agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of ISP Holdings' 9% Senior Notes due 2003 (the "Initial Notes") and Series B 9% Senior Notes due 2003 (the "Exchange Notes"):

## ARTICLE I

## DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

"Acquired Debt", with respect to any Person, means
(i) Debt (including any then unutilized commitment under any revolving working capital facility) of an entity, which entity is acquired by such Person or any of its Subsidiaries after the Issue Date; provided that such Debt (including any such facility) is outstanding at the time of the acquisition of such entity, is not created in contemplation of such acquisition and is not, directly or indirectly, recourse (including by way of set-off) to such Person or its Subsidiaries or any of their respective assets other than to the entity and its Subsidiaries so acquired and the assets of the entity and its Subsidiaries so acquired, (ii) Debt of such Person that is not, directly or indirectly, recourse (including by way of set-off) to such Person and its Subsidiaries or any of their respective assets other than to specified assets acquired by such Person or its Subsidiaries after the Issue Date, which Debt is outstanding at the time of the acquisition of such assets and is not created in contemplation of such acquisition, or (iii) Refinancings of Debt described in clauses (i) or (ii), provided that the recourse with respect to such Refinancing Debt is limited to the same extent as the Debt so Refinanced.

"Additional Interest" means all additional interest owing under the Registration Rights Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when

used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" having meanings correlative to the foregoing. For the avoidance of doubt, GAF and its Affiliates (so long as they are under common control with the Company) shall, both before and after the Spin Off, be deemed to be Affiliates of the Company.

"Agent" means any Registrar, Paying Agent or co- Registrar of the Notes.

"Applicable Date" has the meaning set forth in
Section 4.13(a)(3).

"Applicable Premium" means, with respect to any Note, the greater of (x) 1.0% of the principal amount of such Note and (y) the excess, if any, of (a) the present value of the required remaining interest payments, principal and future optional redemption premium (if applicable) of such Note, discounted on a semi-annual bond equivalent basis from either the maturity date of the Note or the optional redemption date to the applicable redemption date at a per annum interest rate equal to the Treasury Yield for such redemption date plus 100 basis points, over (b) the sum of the principal amount of such Note plus accrued and unpaid interest to the redemption date.

"Asset Sale" means, with respect to any Person, the sale, lease, assignment or other disposition (including, without limitation, dispositions pursuant to any consolidation, merger or sale and leaseback transaction) by such Person or any of its Subsidiaries in any single transaction or series of related transactions of (x) any Capital Stock of any Subsidiary of such Person or (y) all or substantially all of the properties and assets of any division or line of business of such Person or any of its Recourse Subsidiaries, in either case, other than (i) by the Company or any of its Post-Spin Off Subsidiaries to the Company or any of its Post-Spin Off Subsidiaries, (ii) by G-I Holdings or any of its Post-Spin Off Subsidiaries to G-I Holdings or any of its Post-Spin Off Subsidiaries and (iii) after the Determination Date, by the Company or any of its Subsidiaries to the Company or any of its Subsidiaries. For the purposes of this definition, the term "Asset Sale" shall not include (A) any sale, lease, assignment or other disposition of properties or assets that is governed by Section 5.01, (B) any sale, lease, assignment or other disposition by a Person that has outstanding Long-Term Debt all of which (x) are rated BBB- or higher by S&P and are not on credit watch by S&P for a possible downgrade below BBB- or
(y) are rated Baa3 or higher by Moody's and are not on credit

watch by Moody's for a possible downgrade below Baa3, (C) any sale of Common Stock the proceeds of which are used pursuant to the provisions described in the first paragraph of Section 5(a) of the Notes or (D) prior to the Spin Off, the retirement, liquidation, redemption or extinguishment of the indirect interest of the Company and its Subsidiaries in Rhone-Poulenc Surfactants and Specialties L.P.

"Average Life" means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from the date of the transaction or event giving rise to the need to calculate the Average Life of such Debt to the date, or dates, of each successive scheduled principal payment of such Debt multiplied by (b) the amount of each such principal payment by (ii) the sum of all such principal payments.

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

"BMCA" means Building Materials Corporation of America, a Delaware corporation, and its successors.

"BMCA Subsidiaries" means BMCA and its Subsidiaries.

"Board of Directors" of any Person means the Board of Directors or similar governing body of such Person, or any duly authorized committee of such Board of Directors or similar governing body.

"Board Resolution" means, with respect to the Board of Directors of any Person, a copy of a resolution certified by the Secretary or Assistant Secretary of such Person to have been duly adopted by such Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Book-Entry Note" means a Note represented by a Global Note and registered in the name of the Depository or a nominee of the Depository.

"Business Day" means a day that is not a Legal Holiday.

"Capitalized Lease Obligation" means any rental obligation that, in accordance with GAAP, is required to be classified and accounted for as a capitalized lease and the amount of Debt represented by such obligation shall be the capitalized amount of such obligation determined in accordance

with GAAP; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due in respect of such obligation.

"Capital Stock" of any Person means any and all shares, interests (including partnership interests), warrants, rights, options or other interests, participations or other equivalents of or interests in (however designated) equity of such Person, including Common Stock or Preferred Stock, whether now outstanding or issued after the Issue Date, but excluding any debt securities convertible into or exchangeable for such equity.

"Cash Equivalents" means (i) marketable direct obligations Issued by, or unconditionally Guaranteed by, the United States Government or Issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations Issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (iv) certificates of deposit or bankers' acceptances maturing no more than one year from the date of acquisition thereof Issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital surplus of not less than $250,000,000, (v) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above and
(vi) investments in money market funds having assets in excess of $500,000,000 and which invest substantially all their assets in securities of the types described in clauses (i) through (v) above.

"Change of Control" means the occurrence of any of the following events:

(i) prior to the first public offering of Voting Stock of the Company, the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of majority voting power of the Voting Stock of the Company,

whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (i) and clauses (ii) and (iv) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, a majority of the Voting Stock of the parent corporation);

(ii) any "Person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (i) above, except that a Person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the Voting Stock of the Company, but only if Permitted Holders beneficially own (as defined in clause (i) above), directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;

(iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or its predecessor (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company or its predecessor was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

(iv) either (x) the Permitted Holders or (y) the Company ceases, for any reason, to be the beneficial owner (as defined in clause (i) above), directly or indirectly, of majority voting power of the Voting Stock of ISP, whether as a result of issuance of securities, any merger, consolidation, liquidation or dissolution, any direct or

indirect transfer of securities by any Permitted Holder or otherwise.

"Change of Control Notice" has the meaning specified in Section 4.19(b).

"Change of Control Payment Date" has the meaning set forth in Section 4.19(a).

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

"Common Stock" of any Person means any and all shares, interests, participations, or other equivalents (however designated) of such Person's common stock whether now outstanding or issued after the Issue Date.

"Consolidated EBITDA Coverage Ratio" means, with respect to any Person, for any period, the ratio of (i) EBITDA of such Person for such period to (ii) Consolidated Interest Expense of such Person for such period; provided, however, that (A) if such Person or any of its Subsidiaries has Issued any Debt or Capital Stock since the beginning of such period that remains outstanding on the date such calculation is made or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an Issuance of Debt or Capital Stock, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect, on a pro forma basis, to the issuance of such Debt or Capital Stock as if such Debt or Capital Stock had been Issued on the first day of such period and the discharge of any other Debt or Capital Stock Refinanced or otherwise discharged with the proceeds of such new Debt or Capital Stock as if such discharge had occurred on the first day of such period; (B) if since the beginning of such period such Person or any of its Subsidiaries shall have made any asset sale out of the ordinary course of business, EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such asset sale for such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt or Capital Stock of such Person or any Subsidiary of such Person and the amount of any other Debt or Capital Stock Refinanced or otherwise

discharged with respect to such Person and its continuing Subsidiaries (including as a result of the assumption of such Debt or Capital Stock by the purchaser of such assets, provided that such Person or any of its Subsidiaries is no longer liable therefor) in connection with such Asset Sale for such period (or if the Capital Stock of any Subsidiary of such Person is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent such Person and its continuing Subsidiaries are no longer liable for such Debt after such sale) (it being understood that the Spin Off shall be considered an Asset Sale outside of the ordinary course of business for purposes of this clause (B)); and (C) if since the beginning of the period such Person or any of its Subsidiaries (by merger or otherwise) shall have made an Investment in any Subsidiary of such Person (or any Person which becomes a Subsidiary of such Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Person with respect to which the calculation is being made. If any Debt or Capital Stock bears a floating rate of interest or dividends and is being given pro forma effect, the interest on such Debt and the dividends on such Capital Stock shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.

"Consolidated Interest Expense" means with respect to any Person, for any period, the sum of (a) the interest expense of such Person and its consolidated Subsidiaries (other than interest expense related to Non-Recourse Debt) for such period as determined in accordance with GAAP consistently applied, plus (b) the product of (x) the amount of all dividends paid or accrued on any series of preferred stock of such Person (other than non-Redeemable Stock) and its Recourse Subsidiaries times
(y) a fraction, the numerator of which is one and the denominator of which is one minus the effective combined consolidated federal, state and local tax rate of such Person, expressed as a decimal.

"Consolidated Net Income (Loss)" means with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its consolidated Subsidiaries for such period as determined in accordance with GAAP, adjusted to the

extent included in calculating such net income (or loss), by excluding (i) all extraordinary gains in such period net of all extraordinary losses in such period; (ii) net income (or loss) of any other Person attributable to any period prior to the date of combination of such other Person with such Person or any of its Subsidiaries on a "pooling of interests" basis;
(iii) net gains or losses in respect of dispositions of assets by such Person or any of its Subsidiaries (including pursuant to a sale-and-leaseback arrangement) other than in the ordinary course of business; (iv) the net income (loss) of any Subsidiary of such Person (other than, in calculating the consolidated net income (loss) of the Company, the consolidated net income (loss) of ISP, USI or BMCA) to the extent that the declaration of dividends or distributions by that Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Subsidiary or its shareholders; (v) the net income (or net loss) of any other Person that is not a Subsidiary of the first Person with respect to which Consolidated Net Income is being calculated (the "first Person") and in which any other Person (other than such first Person and or any of its Subsidiaries) has an equity interest or of a Non-Recourse Subsidiary of such first Person, except to the extent of the amount of dividends or other distributions actually paid or made to such first Person or any of its Subsidiaries by such other Person during such period (subject in the case of a dividend or distribution received by a Subsidiary of such first Person, to the limitations contained in clause (iv) above); (vi) any interest income resulting from loans or investments in Affiliates, other than cash interest income actually received; (vii) charges relating to the Transactions or the offering of the 10% Senior Notes due 2006 and Series B 10% Senior Notes due 2006 of G-I Holdings; and
(viii) the cumulative effect of a change in accounting principles.

"Consolidated Net Worth" of any Person means, at any date, all amounts that would, in conformity with GAAP, be included under shareholders' equity on a consolidated balance sheet of such Person as at such date less (to the extent otherwise included therein) any amounts attributable to Redeemable Stock.

"Credit Agreement" means the credit agreement dated as of July 26, 1996, among ISP, certain of its Subsidiaries, the financial institutions named therein and Chase Manhattan Bank, as agent thereunder, as the same may be amended or supplemented.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Debt" of any Person means, without duplication,
(i) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable (other than those payable to government agencies to defer the payment of workers' compensation liabilities, taxes, assessments or other obligations, and provided in the ordinary course of business of such Person); (ii) all Capital Lease Obligations of such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and
(vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured. For purposes of Section 4.20, Debt of the Company (prior to the Spin Off) and any BMCA Subsidiary shall include the provision for existing or future asbestos-related bodily injury claims, as set forth in the then most recent consolidated financial statement of the Company.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Depository" means, with respect to the Notes issued in the form of one or more Book-Entry Notes, The Depository Trust Company or another person designated as Depository by the Company, which must be a clearing agency registered under the Exchange Act.

"Determination Date" means the date (if any) on which the Company delivers a notice to the Trustee that the Board of Directors of the Company has determined not to effect the Spin Off, which notice shall be irrevocable and include a copy of the Board Resolution of such Board of Directors making such determination.

"EBITDA" means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period, adjusted to the extent deducted in calculating such Consolidated Net Income by adding back (without duplication):
(i) income tax expense of such Person and its Subsidiaries accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary items or other items excluded from the definition of Consolidated Net Income),
(ii) Consolidated Interest Expense of such Person,
(iii) depreciation expense, (iv) amortization expense and (v) minority interest in any Recourse Subsidiary that is not a Wholly Owned Subsidiary but is otherwise consolidated in the financial statements of such Person, but only so long as such Subsidiary is consolidated with such Person for such period for U.S. federal income tax purposes.

"Events of Default" has the meaning set forth in
Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission thereunder.

"Exchange Notes" has the meaning assigned to that term in the preambles to this Indenture.

"Exchange Offer" means the registration by the Company under the Securities Act pursuant to a registration statement of the offer by the Company to each Holder of the Initial Notes to exchange all the Initial Notes held by such Holder for the Exchange Notes in an aggregate principal amount equal to the aggregate principal amount of the Initial Notes held by such Holder, all in accordance with the terms and conditions of the Registration Rights Agreement.

"Exchange Offer Notes" means the 9 3/4% Senior Notes due 2002 and the Series B 9 3/4% Senior Notes due 2002 of the Company.

"Existing Management Agreement" means the Amended and Restated Management Agreement dated as of March 3, 1992 by and among GAF and certain of its Subsidiaries as amended through the Issue Date.

"G-I Holdings" means G-I Holdings Inc., a Delaware corporation, and its successors.

"Generally Accepted Accounting Principles" or "GAAP" means generally acceptable accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

"GAF" means GAF Corporation, a Delaware corporation, and its successors.

"Global Note" means a Note evidencing all or a part of the Notes to be issued as Book-Entry Notes, issued to the Depository in accordance with Section 2.02 and bearing the legend prescribed in Exhibit C.

"Granules Contracts" means (i) the Supply Agreement dated as of January 1, 1995 between ISP Technologies Inc. and BCMA, as amended by amendment dated as of December 31, 1995 and
(ii) the letter dated November 9, 1995 from ISP Mineral Products Inc. to USI.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation, contingent or otherwise, of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of participation arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring the obligee of such Debt or other obligation in any other manner of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course

of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means the Person in whose name a Note is registered on the Registrar's books.

"Incur" means incur, create, assume, Guarantee or otherwise become liable; and the terms "incurred" and "incurrence" having meanings correlative to the foregoing.

"Indemnification Agreement" means the indemnification agreement dated as of the Issue Date among GAF and certain of its Subsidiaries.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Initial Notes" has the meaning assigned to that term in the preamble to this Indenture.

"Interest Increase Trigger Date" means the date which is the earlier of (x) 270 days after the Issue Date and (y) 60 days after receipt of the IRS Ruling, but in no event earlier than January 3, 1997.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

"Investment" means any direct or indirect advance, loan (other than advances or loans to customers in the ordinary course of business, which are recorded, in accordance with GAAP, at the time made as accounts receivable on the balance sheet of the Person making such advance or loan) or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities Issued by, any other Person.

"IRS Ruling" means a ruling from the Internal Revenue Service to the effect that the consummation of the Spin Off will not result in recognition of income by GAF or other members of GAF's federal consolidated tax group.

"ISP" means International Specialty Products Inc., a Delaware corporation, and its successors.

"ISP Holdings Transactions" means the transactions described in the Offering Memorandum under the heading "The ISP

Holdings Transactions," including the offering of the Initial Notes, substantially on the terms described therein.

"ISP Subsidiaries" means ISP and its Subsidiaries.

"Issue" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Issued by such Subsidiary at the time it becomes a Subsidiary of such other Person.

"Issue Date" means October 18, 1996, the date of original issuance of the Initial Notes.

"Legal Holiday" has the meaning set forth in
Section 10.10.

"Lien" means any lien, mortgage, charge, pledge, security interest, or other encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

"Linden Dividend" means the payment of a dividend or distribution in respect of the Company's Common Stock of the assets comprising the Linden Property or of the shares of Capital Stock of a Subsidiary of the Company all or substantially all of the assets of which consist of the Linden Property.

"Linden Property" means that property consisting of approximately 140 acres (40 acres developed) located in Union County, New Jersey at the foot of South Wood Avenue, Linden and owned by ISP Environmental Services Inc., which is the site of a former chemicals manufacturing facility of ISP.

"Long-Term Debt" of any Person means outstanding long-term debt securities of such Person (or, in the event that such Person has no outstanding long-term debt securities, a credit facility of such Person) that (i) is unsecured, (ii) not subordinated in right of payment to any other Debt of such Person and (iii) is not guaranteed and does not have credit support provided by any other Person (other than, in the case of Long-Term Debt of any ISP Subsidiary, any ISP Subsidiary).

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents, received by the Company or any of its Subsidiaries from such Asset Sale net of (a) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions),
(b) taxes paid or payable ((1) including, without limitation, income taxes reasonably estimated to be actually payable as a result of any disposition of property within two years of the date of disposition, including under any tax sharing arrangements, and (2) after taking into account any reduction in tax liability due to available tax credits or deductions applicable to the transaction), (c) a reasonable reserve for the after-tax cost of any indemnification obligations (fixed and/or contingent) attributable to seller's indemnities to the purchaser undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale and (d) repayment of Debt that is required to be repaid in connection with such Asset Sale, under agreements governing such Debt or Asset Sale.

"Net Proceeds Offer" shall have the meaning provided in Section 4.20.

"New Management Agreement" means the Existing Management Agreement as amended to add the Company as a party thereto.

"Non-Recourse Debt" of any Person means Debt or the portion of Debt (i) as to which neither GAF, the Company nor any of its Recourse Subsidiaries (A) provides credit support (including any undertaking, agreement or instrument which would constitute Debt), (B) is directly or indirectly liable or (C) constitutes the lender and (ii) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against the assets of a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of such Person or its Recourse Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Non-Recourse Subsidiary" of any Person means a Subsidiary (A) which has been designated as such by the Board of Directors of such Person, (B) which has not acquired any assets directly or indirectly from GAF, the Company or any of its Subsidiaries other than at fair market value, including by the receipt of Capital Stock of such Non-Recourse Subsidiary, provided, however, that if any such acquisition or series of

related acquisitions involves assets having a value in excess of $2,000,000, such acquisition or series of related acquisitions shall be approved by a majority of the members of the Board of Directors of the Company in a Board Resolution which shall set forth that such acquisitions are being, or have been, made at fair market value, and (C) which has no Debt other than Non-Recourse Debt. Subsidiaries of Non-Recourse Subsidiaries shall be deemed Non-Recourse Subsidiaries.

"Notes" means the Initial Notes, the Exchange Notes and the Private Exchange Notes treated as a single class of securities.

"Obligations" means (a) the full and punctual payment of the principal of, and interest on, the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under this Indenture and the Notes and (b) the full and punctual performance of all other obligations of the Company under this Indenture and the Notes.

"Offering Memorandum" means the Offering Memorandum of the Company dated October 15, 1996, relating to the Initial Notes.

"Officer" of any corporation means the Chairman of the Board, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary or the Controller of such corporation.

"Officers' Certificate" of any corporation means a certificate signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of such corporation and delivered to the Trustee and which complies with
Section 10.05.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee and which complies with Section 10.05. Such legal counsel may be an employee of or counsel to the Company or its Affiliates.

"Paying Agent" has the meaning set forth in Sec- tion 2.03, except that, for the purposes of Article VIII and Sections 4.19 and 4.20, the Paying Agent shall not be the Company or a Subsidiary of the Company or an Affiliate of any thereof.

"Permitted Holders" means (i) Samuel J. Heyman, his heirs, administrators, executors and entities of which a majority of the Voting Stock is owned by Samuel J. Heyman, his

heirs, administrators or executors and (ii) any Person controlled, directly or indirectly, by Samuel J. Heyman or his heirs, administrators or executors.

"Permitted Lien" means:

(1) Liens for taxes, assessments and governmental charges to the extent not required to be paid under this Indenture;

(2) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by an appropriate process of law, and for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(3) pledges or deposits in the ordinary course of business to secure lease obligations or non-delinquent obligations under workers' compensation, unemployment insurance or similar legislation;

(4) Liens to secure the performance of public statutory obligations that are not delinquent, appeal bonds, performance bonds or other obligations of a like nature (other than for borrowed money);

(5) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole;

(6) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of non- delinquent customs duties in connection with the importation of goods;

(7) judgment and attachment Liens not giving rise to a Default or Event of Default;

(8) leases or subleases granted to others not interfering in any material respect with the business of the Company and its Subsidiaries, taken as a whole;

(9) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or

warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(10) any interest or title of a lessor in the property subject to any lease, whether characterized as capitalized or operating other than any such interest or title resulting from or arising out of default by the Company or any of its Subsidiaries of its obligations under any such lease which is material;

(11) Liens arising from filing UCC financing statements for precautionary purposes in connection with true leases or conditional sales of personal property that are otherwise permitted under this Indenture and under which the Company or any of its Subsidiaries is lessee;

(12) broker's Liens securing the payment of commissions and management fees in the ordinary course of business;

(13) Liens on cash and Cash Equivalents posted as margin pursuant to the requirements of any bona fide hedge agreement relating to interest rates, foreign exchange or commodities listed on public exchanges, but only to the extent such Liens are required from customers generally (regardless of creditworthiness) in accordance with customary market practice;

(14) Liens on cash collateralizing reimbursement obligations in respect of letters of credit issued for the account of the Company or any of its Subsidiaries in the ordinary course of business (other than letters of credit issued as credit support for any Debt);

(15) Liens arising in respect of accounts receivable arising as a result of non-recourse sales thereof;

(16) Liens arising by reason of consignment sales of inventory in the ordinary course of business; and

(17) Liens on stock or assets of any Non-Recourse Subsidiary securing Debt owing by such Non-Recourse Subsidiary.

"Person" means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Post-Spin Off Subsidiary" of any Person means any Subsidiary of such Person after giving effect to the Spin Off.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation. Preferred Stock of any Person shall include Redeemable Stock of such Person.

"Principal" of a debt security, including the Notes, means the principal of such security plus, when appropriate, the premium, if any, on such security.

"Principal Amount at Maturity" of a security means the amount specified as such on the face of such security.

"Private Exchange Notes" has the meaning assigned to such term in the Registration Rights Agreement.

"Proceeds Purchase Date" shall have the meaning provided in Section 4.20.

"Purchase Money Obligation" of any Person means any Debt secured by a Lien on assets related to the business of such Person, and any additions and accessions thereto or replacements thereof, which are purchased or constructed by such Person at any time after the Issue Date; provided, however, that (i) the aggregate outstanding principal amount of such Debt (determined on a per asset basis in the case of any additions, accessions or replacements) shall not at any time exceed 100% of the purchase price to such Person of the related assets or (ii) such Debt shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto or replacements thereof and any proceeds therefrom.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Ratings Event" means any of the following:

(i) the rating of ISP's Long-Term Debt being below Baa3 (in the case of the rating by Moody's) and below BB+ (in the case of the rating by S&P); or

(ii) at any time that ISP's Long-Term Debt is rated below Baa3 by Moody's, the rating of ISP's Long-Term Debt

being placed on credit watch for a ratings downgrade below BB+ by S&P; or

(iii) at any time that ISP's Long-Term Debt is rated below BB+ by S&P, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrate below Baa3 by Moody's.

"Recourse Subsidiaries", of any Person, means all Subsidiaries of such Person other than Non-Recourse Subsidiaries of such Person.

"Redeemable Stock" means, with respect to any Person, Capital Stock of such Person that by its terms or otherwise
(x) is required, directly or indirectly, to be redeemed on or prior to the ninetieth day after the Stated Maturity of the Notes, (y) is redeemable or puttable, directly or indirectly, at the option of the holder thereof at any time on or prior to the ninetieth day after the Stated Maturity of the Notes, or
(z) is exchangeable or convertible into another security (other than a security that is not itself Redeemable Stock).

"Refinance" means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Debt in exchange or replacement for, such Debt. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Debt" means Debt Issued to Refinance any other Debt; provided, however, that (i) the amount of the Debt so Issued shall not exceed the principal amount or the accreted value (in the case of Debt Issued at a discount) of the Debt so Refinanced plus, in each case, the reasonable costs incurred by the issuer in connection with such Refinancing, (ii) the Average Life and Stated Maturity of the Debt so Issued shall equal or exceed that of the Debt so Refinanced, (iii) the Debt so Issued shall not rank senior in right of payment to the Debt being Refinanced, (iv) if the Debt being Refinanced does not bear interest in cash prior to a specified date, the Refinancing Debt shall not bear interest in cash prior to such specified date, (v) if the Debt being Refinanced is a Purchase Money Obligation, Refinancing Debt shall not be secured by any assets not securing the Debt so Refinanced or improvements or additions thereto, or replacements thereof, and (vi) the obligors with respect to the Refinancing Debt shall not include any persons who were not obligors (including predecessors thereof) with respect to the Debt being Refinanced.

"Registrar" has the meaning set forth in
Section 2.03.

"Registration Rights Agreement" means the registration rights agreement dated the Issue Date between the Company and Bear, Stearns & Co. Inc., as initial purchaser.

"Restricted Investment" means, with respect to the Company or any of its Subsidiaries, an Investment by such Person in an Affiliate of the Company; provided, however, that the following shall not be Restricted Investments:

(a) any Investment by the Company or any ISP Subsidiary (or on and after the Determination Date, any Subsidiary of the Company) in any Unrestricted Affiliate;

(b) prior to the Determination Date:

(i) any Investment by the Company or any of its Post-Spin Off Subsidiaries in (x) the Company or any of its Post-Spin Off Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of any Post-Spin Off Recourse Subsidiary of the Company; and

(ii) any Investment by G-I Holdings or any of its Post-Spin Off Subsidiaries in (x) G-I Holdings or any of its Post-Spin Off Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of any Post-Spin Off Recourse Subsidiary of G-I Holdings;

(c) prior to the Spin Off, loans and advances bearing market rates of interest between the Company and any of its Subsidiaries or between or among Subsidiaries of the Company so long as such loans and advances, if they are not permitted under clause (b)(i) or (ii), are repaid in full in cash at the consummation of the Spin Off; and

(d) on and after the Determination Date:

(i) any Investment in the Company or any of its Recourse Subsidiaries; and

(ii) any Investment in any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of the Company.

"Restricted Payment" means (i) the declaration or making of any dividend or of any other payment or distribution (other than dividends, payments or distributions payable solely in shares of the Company's Capital Stock other than Redeemable Stock) on or with respect to the Company's Capital Stock (other than Redeemable Stock) and (ii) any payment on account of the purchase, redemption, retirement or other acquisition for value of the Company's Capital Stock (other than Redeemable Stock); provided, however, that the Linden Dividend shall not be deemed to be a Restricted Payment.

"Restricted Security" has the meaning set forth in Rule 144(a)(3) under the Securities Act.

"S&P" means Standard & Poor's Rating Services or its successor.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission thereunder.

"Series B Exchange Offer Notes" means the Series B 9 3/4% Senior Notes due 2002 of the Company.

"Shelf Registration Statement" means the shelf registration statement, which the Company will use its best efforts to cause to become effective with respect to the resale of the Initial Notes in the event that the Exchange Offer is not completed, pursuant to the terms of the Registration Rights Agreement.

"Significant Subsidiary" means (i) any Recourse Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 5% of the Company's total assets on a consolidated basis as of such date, in each case determined in accordance with GAAP, or (B) had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 5% of the Company's total revenues on a consolidated basis for such period, or (ii) any Recourse Subsidiary of the Company which, if merged with all Defaulting Subsidiaries (as defined below) of the Company, would at the time of determination either (A) have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would

have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with GAAP). "Defaulting Subsidiary" means any Recourse Subsidiary of the Company with respect to which an event described under clause (6), (7), or
(8) of Section 6.01 has occurred and is continuing.

"Specified Agreements" means (i) the Tax Sharing Agreements (but, after a company leaves the applicable consolidated group, only with respect to the indemnities that survive thereunder), (ii) the Existing Management Agreement and the New Management Agreement, (iii) the Granules Contracts and
(iv) the Indemnification Agreement and other similar indemnification agreements in effect prior to the Issue Date.

"Specified Subsidiaries" means Subsidiaries of the Company other than (i) ISP Subsidiaries and (ii) BMCA Subsidiaries.

"Spin Off" means the consummation of the transactions described in items (1) through (9) in the first paragraph under the section of the Offering Memorandum entitled "The Spin Off Transactions," substantially on the terms described in such paragraph.

"Spin Off Date" means the date on which the Spin Off is consummated.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and when used with respect to any other Debt, means the date specified in the instrument governing such Debt as the fixed date on which the principal of such Debt or any installment of interest is due and payable.

"Subsidiary" means, with respect to any Person at any time of determination, (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof has at least majority ownership interest and the power to direct the policies, management and affairs thereof. For purposes of this definition, any director's qualifying shares or investments by

foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

"Tax Sharing Agreements" means, collectively, (i) the tax sharing agreement dated as of September 7, 1993, as amended on the Issue Date, among GAF, G-I Holdings, G Industries and the Company, (ii) the amended and restated tax sharing agreement dated as of March 3, 1992 among GAF, G Industries, ISP and certain of ISP's Subsidiaries, (iii) the tax sharing agreement among ISP Holdings and certain of its Subsidiaries, described in the Exchange Offer Circular under "Tax Sharing Agreements -- ISP Holdings Tax Sharing Agreement," and (iv) prior to the Spin Off, the tax sharing agreement dated as of January 31, 1994 among GAF, G-I Holdings, BMCA and BMCA's Subsidiaries.

"TIA" means the Trust Indenture Act of 1939, as amended, as in effect on the date hereof.

"Transactions" means the Spin Off and the ISP Holdings Transactions.

"Treasury Yield" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the applicable redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining Average Life of the Notes; provided, however, that if the Average Life of the Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the average life of the Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trustee" means the party named as such in this Indenture until a successor replaces such party in accordance with the provisions of this Indenture, and thereafter means such successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Affiliate" means: (a) prior to the Determination Date, any Person (other than any Subsidiary of the Company) controlled (as defined in the definition of "Affiliate") by the Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) any director or officer of the Company or any of its Post-Spin off Subsidiaries (so long as such person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Post-Spin Off Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (iii) another Unrestricted Affiliate under this paragraph (a)) has an Investment; and (b) on and after the Determination Date, any Person (other than any Subsidiary of the Company) controlled (as defined in the definition of "Affiliate") by the Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) so long as BMCA is a Recourse Subsidiary of the Company, BMCA or any of its Wholly-Owned Recourse Subsidiaries, (iii) a Wholly-Owned Recourse Subsidiary of the Company, (iv) any director or officer of the Company or any of its Subsidiaries (so long as such Person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (v) another Unrestricted Affiliate under this paragraph (b)) has an Investment.

"U.S. Government Obligations" means money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged.

"USI" means U.S. Intec, Inc., a Texas corporation, and its successors.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind normally entitled to vote in the election of the board of directors or other governing body of such Person.

"Wholly-Owned Recourse Subsidiary" of any Person means a Wholly-Owned Subsidiary of such Person that is a Recourse Subsidiary of such Person.

"Wholly-Owned Subsidiary" means a Subsidiary all the Capital Stock of which (other than directors' qualifying

shares) is owned by the applicable corporation or another Wholly-Owned Subsidiary of the applicable corporation.

Section 1.02. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security holder" means a Holder or a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company and any other obligor on the Notes.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule and not otherwise defined herein have the meanings assigned to them therein.

Section 1.03. Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) "or" is not exclusive;

(3) words in the singular include the plural, and words in the plural include the singular;

(4) provisions apply to successive events and transactions;

(5) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(6) all calculations made for the purpose of determining compliance with the terms of the covenants set forth in Article IV and other provisions of this Indenture shall utilize GAAP in effect at the time of preparation of, and in conformity with those used to prepare, the historical consolidated financial statements of the Company at and for the

fiscal year ended December 31, 1995. All financial calculations shall be made as if the Spin Off occurred as of the Issue Date; provided, however, that if the Determination Date occurs, all subsequent financial calculations shall be made without giving effect to the Spin Off; provided, further, however, that, in such event, cumulative Consolidated Net Income for purposes of Section 4.13(a) shall be recalculated from the Applicable Date without giving effect to the Spin Off.

## ARTICLE II

## THE NOTES

Section 2.01. Form and Dating. The Initial Notes and the Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit A hereto. The Exchange Notes (and the Private Exchange Notes) and the Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit B. The Notes may have notations, legends or endorsements required by law, stock exchange rule or agreements to which the Company is subject, if any, or usage. The Company shall approve the form of the Notes and any notation, legend or endorsement on them, and such approval shall be evidenced by the execution of such Notes by two Officers of the Company. Each Note shall be dated the date of its authentication.

The terms and provisions contained in the form of the Notes, annexed hereto as Exhibits A and B, shall constitute, and are hereby expressly made, a part of this Indenture.

Section 2.02. Execution and Authentication; Aggregate Principal Amount. Two Officers shall sign the Notes for the Company by facsimile or manual signature. The Company's seal may be reproduced or imprinted on the Notes, by facsimile or otherwise.

If a Person whose signature is on a Note as an Officer no longer holds that office or position at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery (i) Initial Notes for original issue in an aggregate principal amount not to exceed $325,000,000 and (ii) Exchange

Notes or Private Exchange Notes from time to time for issue only in exchange for a like principal amount of Initial Notes in accordance with the Registration Rights Agreement, in each case upon a written order of the Company signed by an Officer of the Company to a Trust Officer. The order shall specify the amount of Notes to be authenticated, the date on which the Notes are to be authenticated and whether the Notes are to be Initial Notes or Exchange Notes. The aggregate principal amount of Notes outstanding at any time may not exceed $325,000,000 (or such lesser amount as is issued by the Company on the Issue Date), except as provided in Section 2.07.

The Notes shall be issuable only in registered form and only in denominations of $1,000 and any integral multiple thereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Notes, which authenticating agent shall be compensated by the Company. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so, except with regard to the original issuance of the Notes and pursuant to Section 2.06. Except as provided in the preceding sentence, each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Agent.

If the Notes are to be issued in the form of one or more Global Notes, then the Company shall execute and the Trustee shall authenticate and deliver one or more Global Notes that (i) shall represent and shall be in minimum denominations of $1,000 or in the approximate equivalent amount, (ii) shall be registered in the name of the Depository for such Global Note or Notes or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions and (iv) shall bear the legend set forth in Exhibit C.

Section 2.03. Registrar and Paying Agent. The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may have one or more co-Registrars and one or more additional Paying Agents. The term "Paying Agent" includes any additional Paying Agent.

The Company shall enter into an appropriate written agency agreement with any Agent not a party to this Indenture. Each such agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall give prompt written notice to the Trustee of the name and address of any such Agent and any change in the address of such Agent. The Company may change an Agent without prior notice to the Holders. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar and Paying Agent in connection with the Notes.

Section 2.04. Paying Agent To Hold Money in Trust. The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders all money held by the Paying Agent for the payment of principal of or interest on the Notes, and such Paying Agent shall notify the Trustee of any default by the Company in making any such payment. If the Company or any of its Subsidiaries acts as Paying Agent, it shall segregate the money and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

Section 2.05. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA { 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders, and the Company shall otherwise comply with TIA { 312(a).

The Trustee shall be entitled to rely upon a certificate of the Registrar, the Company or such other Paying Agent, as the case may be, as to the names and addresses of the Holders and the principal amounts and serial numbers of the Notes.

Section 2.06. Transfer and Exchange. The Notes shall be issued in registered form and shall be transferable only upon the surrender of such Notes for registration of transfer. When Notes are presented to the Registrar or a co- Registrar with a request to register the transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument or transfer in a form satisfactory to the Company and the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfer and exchanges, the Company shall execute the Notes, and the Trustee shall authenticate the Notes at the Registrar's request. No service charge to the Holder shall be made for any registration of transfer or exchange, but the Company or the Trustee may require from the transferring or exchanging Holder payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges pursuant to Sections 2.10, 4.19, 4.20 or 9.05). The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note
(i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing and
(ii) selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Note being redeemed in part.

If a Note is a Restricted Security in certificated form, then as provided in this Indenture and subject to the limitations herein set forth, the Holder, provided it is a Qualified Institutional Buyer, may exchange such Note for a Book-Entry Note by instructing the Trustee to arrange for such Note to be represented by a beneficial interest in a Global Note in accordance with the customary procedures of the Depository.

In accordance with the provisions of this Indenture and subject to certain limitations herein set forth, an owner of a beneficial interest in a Global Note which has not been exchanged for an Exchange Note may request a Note in certificated form, in exchange in whole or in part, as the case may be, for such beneficial owner's interest in the Global Note.

Upon any exchange provided for in the preceding paragraph, the Company shall execute and the Trustee shall authenticate and deliver to the person specified by the Depository a new Note or Notes registered in such names and in such authorized denominations as the Depository, pursuant to the instructions of the beneficial owner of the Notes requesting the exchange, shall instruct the Trustee. Thereupon, the beneficial ownership of such Global Note shown on the records maintained by the Depository or its nominee shall be reduced by the amounts so exchanged and an appropriate endorsement shall be made by or on behalf of the Trustee on the Global Note. Any such exchange shall be effected through the Depository in accordance with the procedures of the Depository therefor.

Notwithstanding the foregoing, no Global Note shall be registered for transfer or exchange, or authenticated and delivered, whether pursuant to this Section, Section 2.07, 2.10 or 3.06 or otherwise, in the name of a person other than the Depository for such Global Note or its nominee until (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Note or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act, and a successor depository is not appointed by the Company within 30 days, (ii) the Company executes and delivers to the Trustee a written notice that all such Global Notes shall be exchangeable or (iii) there shall have occurred and be continuing an Event of Default. Upon the occurrence in respect of any Global Note representing the Notes of any one or more of the conditions specified in clause (i),
(ii) or (iii) of the preceding sentence, such Global Note may be registered for transfer or exchange for Notes registered in the names of, and authenticated and delivered to, such persons as the Trustee or the Depository, as the case may be, shall direct.

Except as provided above, any Note authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Global Note, whether pursuant to this Section, Section 2.07, 2.10 or 3.06 or otherwise, shall also be a Global Note and bear the legend specified in Exhibit C.

Section 2.07. Replacement Notes. If a mutilated Note is surrendered to the Trustee or if the Holder of a Note claims that such Note has been lost, destroyed or wrongfully taken, the Company shall issue a replacement Note, and the Trustee shall authenticate such replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be provided by the Holder that is sufficient in the judgment of the Trustee and the

Company to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Note is replaced. The Company or the Trustee may charge such Holder for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company.

Section 2.08. Outstanding Notes. Notes outstanding at any time are all Notes that have been authenticated by the Trustee, except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.08 as not outstanding. A Note does not cease to be outstanding because the Company or one of its Affiliates holds the Note.

If a Note is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the Paying Agent holds (or, if the Company or a Subsidiary is the Paying Agent, segregates and holds in trust), in accordance with this Indenture, on the maturity or redemption date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

Section 2.09. Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any of its Affiliates shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee actually knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes. Until definitive Notes are ready for delivery, the Company may prepare, and the Trustee shall authenticate upon written order of the Company signed by an Officer thereof, temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare, and the Trustee shall authenticate, definitive Notes in exchange for temporary Notes.

Until such exchange, such temporary Notes shall be entitled to the same rights, benefits and privileges as the definitive Notes.

Section 2.11. Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or cancellation. The Company may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest. If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date. Such special record date shall be the fifteenth day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a Business Day. At least 15 days before the special record date, the Company shall mail or cause to be mailed to each Holder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Section 2.13. CUSIP Number. The Company in issuing the Notes may use a "CUSIP" number. If so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP number.

Section 2.14. Deposit of Moneys. On or before 11:00 A.M., New York City time, on each payment date, the Company shall deposit with the Trustee or Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such payment date. The principal of and interest on Book-Entry Notes shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole holder of the Book-Entry Notes represented thereby. The principal of and interest on any Notes other than Book-Entry Notes shall be payable to the registered owner of the Notes represented thereby. The principal of and interest on Notes in certificated form shall be payable at the office of the Paying Agent; provided, however, that the Company, at its option, may pay interest by check by mailing such check to the Holder's registered address.

## ARTICLE III

## REDEMPTION

Section 3.01. Notices to Trustee. If the Company elects to redeem Notes pursuant to Section 5(a) of the Notes, it shall notify the Trustee in writing of the redemption date and the principal amount of Notes to be redeemed.

The Company shall give the notice to the Trustee provided for in this Section at least 45 days before the redemption date, unless the Trustee consents in writing to a shorter notice period. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel to the effect that such redemption will comply with the conditions contained in this Indenture and will set forth the redemption price. If fewer than all the Notes are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee together with the 45-day notice, which record date shall not be prior to the date of such notice nor more than 15 days after the date of notice to the Trustee.

Section 3.02. Selection of Notes To Be Redeemed. In the event that less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed or, if such Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided, however, that no Notes of a principal amount of $1,000 or less shall be redeemed in part; provided, further, that if a partial redemption is made in accordance with the first paragraph of Section 5(a) of the Notes, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to procedures of The Depository Trust Company), unless such method is otherwise prohibited. The Trustee shall make the selection from outstanding Notes not previously called for redemption. The Trustee may select for redemption portions of the principal amount at maturity of Notes that have denominations larger than $1,000, subject to the restriction that Notes and portions of Notes which the Trustee selects shall be in amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Company promptly of the Notes or portions of Notes to be redeemed.

Section 3.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail at least 30 but not more than 60 days before the redemption date (or, if applicable, at such other time as is provided by Section 5(a) of the Notes) to each Holder of Notes to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed and shall state:

(A) the redemption date;

(B) the redemption price;

(C) the name and address of the Paying Agent;

(D) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(E) if fewer than all the outstanding Notes are to be redeemed, the identification and principal amounts of the particular Notes to be redeemed;

(F) that, unless the Company has failed to deposit with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to this Indenture, the interest on Notes called for redemption ceases to accrue on and after such redemption date; and

(G) the CUSIP number, if any, and that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by clauses (A), (B), (C) and (E) at least 45 days before the redemption date.

Section 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Notes called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, subject to the Company's compliance with
Section 3.05 herein, such Notes shall be paid at the redemption price stated in the notice, plus accrued and unpaid interest, if any, to the redemption date.

Section 3.05. Deposit of Redemption Price. On or prior to the redemption date, the Company shall deposit with the Paying Agent in immediately available funds (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued and unpaid interest, if any, on all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption which have been delivered by the Company to the Trustee for cancellation.

Section 3.06. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at the Company's expense) a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

## ARTICLE IV

## COVENANTS

Section 4.01. Payment of Notes. The Company shall pay, or cause to be paid, the principal of and interest on the Notes on the dates and in the manner provided herein and in the Notes. Principal or interest shall be considered paid on the date due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay all principal and interest payable in cash in each case as then due. The Company shall pay interest on overdue principal at the rate specified therefor in the Notes.

Section 4.02. Maintenance of Office or Agency. The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee as set forth in
Section 10.02.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any matter

relieve the Company of its obligation to maintain an office or agency pursuant to this Section 4.02. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the office of the Trustee or its agent located in the Borough of Manhattan, The City of New York, as such office of the Company in accordance with Section 2.03.

Section 4.03. Corporate Existence. The Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence and the corporate existence of each of its Subsidiaries (other than Non-Recourse Subsidiaries) in accordance with their respective organizational documents and (ii) the material rights (charter and statutory), licenses and franchises of the Company and each of its Subsidiaries; provided, however, that
(i) neither the Company nor any of its Subsidiaries shall be required to preserve any such right or franchise, or corporate existence, if the Board of Directors of the Company or such Subsidiary shall determine that the loss thereof is not, and will not be, adverse in any material respect to the Company or the Holders and (ii) nothing in this Section 4.03 shall prevent the Company from taking any action that complies with the provisions of Section 5.01.

Section 4.04. Payment of Taxes and Other Claims. The Company shall, and shall cause each of its Subsidiaries (other than Non-Recourse Subsidiaries) to, pay or discharge or cause to be paid or discharged, before any penalty accrues from the failure to so pay or discharge, (i) all material taxes, assessments and governmental charges levied or imposed upon it or any of such Subsidiaries or upon the income, profits or property of it or any of such Subsidiaries, and (ii) all material, lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon its property or the property of any Specified Subsidiary; provided, however, that there shall not be required to be paid or discharged any such tax, assessment, charge or claim if the amount, applicability or validity thereof is being contested in good faith by appropriate proceedings and adequate provision therefor has been made.

Section 4.05. Compliance Certificates. (a) The Company shall deliver to the Trustee within 60 days after the end of each of the Company's fiscal quarters (120 days after the end of the Company's last fiscal quarter of its fiscal year) an Officers' Certificate, stating whether or not the

signers, after due inquiry, know of any Default or Event of Default which occurred during such fiscal quarter. An Officers' Certificate delivered within 120 days after the end of the Company's fiscal year shall also contain a certification from the principal executive officer, principal financial officer or principal accounting officer of the Company as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 4.05(a), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. If the officer does know of such a Default or Event of Default, the certificate shall describe any such Default or Event of Default, and its status. The first certificate to be delivered pursuant to this Section 4.05(a) shall be for the first fiscal quarter beginning after the execution of this Indenture.

(b) The Company shall deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware of the occurrence of each Default or Event of Default which is continuing, an Officers' Certificate setting forth the details of such Default or Event of Default, and the action which the Company has taken and proposes to take with respect thereto. Following receipt of such Officers' Certificate, the Trustee shall send the notice called for by Section 7.05, except as provided therein.

Section 4.06. Securities and Exchange Commission Reports. (a) At all times from and after the earlier of (i) the date of the commencement of the Exchange Offer or the effectiveness of the Shelf Registration Statement and (ii) the date that is six months after the Issue Date, in either case, whether or not the Company is then required to file reports with the Commission, the Company shall file with the Commission all such reports and other information as would be required to be filed with the Commission under the Exchange Act. The Company shall supply to each Holder and to any other Person who reasonably requests in writing, without cost, copies of such reports or other information. In addition, the Company shall, at its cost, deliver to each Holder, and a prospective purchaser designated by such Holder, from and after the earlier of the dates referred to in clauses (i) and (ii) of this Section 4.06(a), quarterly and annual reports substantially equivalent to those which would be required under the Exchange Act if at the time of such request the Company is not a reporting company under Section 13 or Section 15(d) of the Exchange Act. The Company also will comply with the other provisions of TIA { 314(a).

(b) So long as any of the Notes remain outstanding, the Company shall cause each annual, quarterly and other financial report mailed or otherwise furnished by it generally to public stockholders to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained by the Registrar, in each case at the time of such mailing or furnishing to such stockholders.

(c) Delivery of such reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(d) The Company shall provide to any holder or any beneficial owner of Initial Notes any information reasonably requested by such holder or such beneficial owner concerning the Company and its Subsidiaries (including financial statements) necessary in order to permit such holder or such beneficial owner to sell or transfer Initial Notes in compliance with Rule 144A under the Securities Act or any similar rule or regulation adopted by the Commission.

Section 4.07. Waiver of Stay, Extension or Usury Laws. The Company covenants (to the full extent permitted by applicable law) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, and will actively resist any attempts to claim the benefit of any stay or extension law or any usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the full extent permitted by applicable law) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.08. Maintenance of Properties. Subject to this Article IV, the Company shall cause all material properties owned by or leased to it or any of its Subsidiaries (other than Non-Recourse Subsidiaries) and used or useful in the conduct of its business or the business of such Subsidiaries to be maintained and kept in normal condition, repair and working order and supplied with all necessary

equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company or such Subsidiary may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 4.08 shall prevent the Company or any of its Subsidiaries from discontinuing the use, operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposal is not, in the judgment of the Board of Directors of the Company or such Subsidiary, adverse in any material respect, to the Company or the Holders.

Section 4.09. Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries. (a) The Company shall not Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Company for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) The Company shall not permit any ISP Subsidiary
(so long as such ISP Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of ISP for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(c) Notwithstanding the foregoing, the Company and ISP Subsidiaries may Issue the following:

(1) Debt Issued pursuant to the Credit Agreement or any Refinancing Debt thereof in an aggregate principal amount outstanding at any time not to exceed $500,000,000;

(2) Debt or Preferred Stock of the Company or any of its Post-Spin Off Subsidiaries Issued to and held by
(i) ISP or any of its Wholly-Owned Recourse Subsidiaries,
(ii) the Company or any of its Wholly-Owned Recourse Post- Spin Off Subsidiaries or (iii) on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or such Preferred Stock

to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of ISP or of the Company that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of ISP or of the Company, as the case may be, shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by the Company or such ISP Subsidiary, as the case may be;

(3) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed $30,000,000;

(4) Acquired Debt;

(5) Debt outstanding on the Issue Date (including, without limitation, the Exchange Offer Notes and the Series B Exchange Offer Notes) and the Exchange Notes;

(6) Refinancing Debt Issued to Refinance any Debt permitted by clauses (2)-(5) above;

(7) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of ISP and (y) Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of ISP which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(8) on and after the Determination Date, (x) Non- Recourse Debt of a Non-Recourse Subsidiary of the Company and (y) Guarantees of Non-Recourse Debt of any Non- Recourse Subsidiary of the Company which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(9) Preferred Stock (other than Redeemable Stock) of the Company;

(10) so long as no Default or Event of Default has occurred and is continuing and no Ratings Event has occurred and is continuing, Debt of any ISP Subsidiary; and

(11) Debt (other than Debt described in clauses (1) through (8) and (10) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(d) To the extent the Company or any ISP Subsidiary Guarantees any Debt of the Company or any ISP Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and

only the amount of the Debt will be deemed to be outstanding. If the Company or an ISP Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes an ISP Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt, which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.10. Limitation on Debt and Preferred Stock of BMCA Subsidiaries. (a) The Company shall not permit any BMCA Subsidiary (so long as such BMCA Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of BMCA for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, BMCA Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any BMCA Subsidiary Issued to and held by (i) BMCA or any of its Wholly-Owned Recourse Subsidiaries, (ii) any Wholly-Owned Recourse Subsidiary of the Company other than any ISP Subsidiary or (iii) on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or Preferred Stock to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of BMCA (or, if applicable, of the Company) that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of BMCA (or, if applicable, of the Company) shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by such BMCA Subsidiary;

(2) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed $35,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses (1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of BMCA and (y) Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of BMCA which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses (1) through (6) above) in an aggregate principal amount outstanding at any time not to exceed $35,000,000.

(c) To the extent any BMCA Subsidiary Guarantees any Debt of any other BMCA Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If a BMCA Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes a BMCA Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.11. Limitation on Debt and Preferred Stock of Specified Subsidiaries. (a) The Company shall not permit any Specified Subsidiary (so long as such Specified Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Specified Subsidiaries (determined on a combined basis) for its most recently completed four consecutive fiscal quarter period ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, Specified Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any Specified Subsidiary Issued to and held by any Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) such Wholly-Owned Recourse Subsidiary ceasing to be a Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or of the Company, as the case may be, shall, in each case, be deemed to constitute the Issuance of such Debt or such Preferred Stock by such Specified Subsidiary;

(2) Purchase Money Obligations in an aggregate amount outstanding at any time not to exceed $50,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses (1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of any Specified Subsidiary and (y) Guarantees of Non-Recourse Debt of Non-Recourse Subsidiaries which Guarantees are recourse only to the stock of such Non- Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses
(1)-(6) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(c) To the extent any Specified Subsidiary Guarantees any Debt of any other Specified Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If a Specified Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes a Specified Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.12. Prohibition on Debt and Capital Stock of Intermediate Parents of ISP and BMCA. Notwithstanding
Section 4.11 (a) and (b):

(a) The Company shall not permit any of its Subsidiaries (other than, subject to Section 4.09, ISP Subsidiaries) that, directly or indirectly, owns any Capital Stock or Debt of any ISP Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries or (y) the Company (or, on and after the Determination Date, any of its Wholly-Owned Recourse Subsidiaries); and

(b) The Company shall not permit any of its Subsidiaries (other than, subject to Section 4.10, BMCA Subsidiaries) that, directly or indirectly, owns any

Capital Stock or Debt of any BMCA Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as BMCA is a Recourse Subsidiary of the Company, BMCA or any of its Wholly-Owned Recourse Subsidiaries or (y) G-I Holdings or any of its Post-Spin Off Wholly-Owned Recourse Subsidiaries (or, on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries).

Section 4.13. Limitation on Restricted Payments and Restricted Investments. (a) The Company shall not make, and shall not permit any of its Subsidiaries to make, directly or indirectly, any Restricted Payment or Restricted Investment at any time on or after the Issue Date if, at the time of such Restricted Payment or Restricted Investment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to incur at least $1.00 of additional Debt under Section 4.09(a); or

(3) the aggregate amount of Restricted Payments made since June 30, 1996 (the "Applicable Date") and the aggregate amount of Restricted Investments made since the Applicable Date and then outstanding (the amount expended for such purposes, if other than in cash, shall be the fair market value of such property as determined by the Board of Directors of the Company in good faith as of the date of payment or investment) shall exceed the sum of:

(i) 50% of the cumulative Consolidated Net Income (or minus 100% of the cumulative Consolidated Net Loss) of the Company accrued during the period beginning on the Applicable Date and ending on the last day of the fiscal quarter for which financial information has been made publicly available by the Company but ending no more than 135 days prior to the date of such Restricted Payment or Restricted Investment (treating such period as a single accounting period);

(ii) 100% of the net cash proceeds, including the fair market value of property other than cash as determined by the Board of Directors of the Company in good faith, as evidenced by a Board Resolution, received by the Company from any Person (other than a Subsidiary of the Company) from the Issuance and sale subsequent to the Applicable Date of Capital Stock of

the Company (other than Redeemable Stock) or as a capital contribution;

(iii) 100% of the net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the exercise of options or warrants on Capital Stock of the Company (other than Redeemable Stock);

(iv) 100% of the net cash proceeds received by the Company from the conversion into Capital Stock (other than Redeemable Stock) of convertible Debt or convertible Preferred Stock issued and sold (other than to a Subsidiary of the Company) since the Applicable Date; and

(v) $30,000,000.

The designation by the Company or any of its Subsidiaries of a Subsidiary as a Non-Recourse Subsidiary shall be deemed to be the making of a Restricted Investment by the Company in an amount equal to the outstanding Investments made by the Company and its Subsidiaries in such Person being designated a Non- Recourse Subsidiary at the time of such designation.

(b) The foregoing paragraph (a) shall not prevent the following, as long as no Default or Event of Default shall have occurred and be continuing (or would result therefrom other than pursuant to paragraph (a)):

(1) the making of any Restricted Payment or Restricted Investment within 60 days after (x) the date of declaration thereof or (y) the making of a binding commitment in respect thereof; provided that at such date of declaration or commitment such Restricted Payment or Restricted Investment complied with paragraph (a); or

(2) any Restricted Payment or Restricted Investment made out of the net cash proceeds received by the Company from the substantially concurrent sale of its Common Stock (other than to a Subsidiary of the Company); provided, however, that such net cash proceeds so utilized shall not be included in paragraph (a)(3) in determining the amount of Restricted Payments or Restricted Investments the Company could make under paragraph (a), and Restricted Payments or Restricted Investments made pursuant to this clause (2) shall not be included in determining the amount of Restricted Payments or Restricted Investments made or then outstanding under paragraph (a)(3); or

(3) repurchases of Capital Stock of the Company (or, prior to the Spin Off, dividends used to repurchase Capital Stock of GAF), in each case, from employees of the Company or any of its Subsidiaries (other than any Permitted Holder); provided, however, that the aggregate amount of Restricted Payments made under this clause shall not exceed $3,000,000 in any fiscal year; provided, further, however, that the amount of Restricted Payments made pursuant to this clause (3) shall not be included in determining the amount of Restricted Payments made under paragraph (a)(3).

Section 4.14. Limitation on Liens. (a) The Company shall not, and shall not permit any of its Specified Subsidiaries to, directly or indirectly, incur or suffer to exist any Liens (other than Permitted Liens) upon their respective properties or assets whether owned on the Issue Date or acquired after such date, or on any income or profits therefrom, other than the following:

(1) Liens securing intercompany Debt permitted by
Section 4.11(b)(1);

(2) Liens existing on the Issue Date;

(3) Purchase money Liens on assets of the Company and its Specified Subsidiaries or improvements or additions thereto existing or created within 180 days after the time of acquisition of or improvement or addition to such assets, or replacements thereof; provided that (i) such acquisition, improvement or addition is otherwise permitted by the Indenture, (ii) the principal amount of Debt (including Debt in respect of Capitalized Lease Obligations) secured by each such Lien in each asset shall not exceed the cost (including all such Debt secured thereby, whether or not assumed) of the item subject thereto, and such Liens shall attach solely to the particular item of property so acquired, improved or added, and any additions or accessions thereto, or replacements thereof, and (iii) the aggregate amount of Debt secured by Liens permitted by this clause (3) shall not at any one time exceed $50,000,000;

(4) Liens securing Acquired Debt; provided, however, that (i) any such Lien secured the Acquired Debt at the time of the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries and such Lien and Acquired Debt were not incurred by the Company or any of its Specified Subsidiaries or by the Person being acquired or from whom the assets were acquired in

connection with, or in anticipation of, the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries, and (ii) any such Lien does not extend to or cover any property or assets of the Company or of any of its Specified Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Debt became Acquired Debt of the Company or of one of its Specified Subsidiaries;

(5) Liens to secure Refinancing of any Debt secured by Liens described in clauses (1)-(4) above and (6) below; provided that (i) the Refinancing does not increase the principal amount of Debt being so Refinanced and (ii) the Lien of the Refinancing Debt does not extend to any asset not securing the Debt being Refinanced or improvements or additions thereto, or replacements thereof; and

(6) Liens on assets of the Company and its Specified Subsidiaries (other than the Liens described above), provided that such Liens only secure Debt of the Company and its Specified Subsidiaries in an aggregate amount not to exceed at any one time outstanding $50,000,000.

Section 4.15. Prohibition on Certain Transactions. After the Spin Off, the Company shall not, and shall not permit any of its Post-Spin Off Subsidiaries to, enter, directly or indirectly, into, or suffer to exist, any transaction or series of transactions (including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service) with GAF or any of its Post-Spin Off Subsidiaries. The foregoing shall not prohibit any transaction permitted by Section 4.16(b)(5) or (c).

Section 4.16. Limitation on Transactions with Affiliates. (a) The Company shall not enter, and shall not permit any of its Subsidiaries to enter, directly or indirectly, into any transaction or series of related transactions with any Affiliate of the Company, including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service, unless the terms of such transaction or series of transactions are set forth in writing and at least as favorable as those available in a comparable transaction in arms-length dealings from an unrelated Person; provided, however, that (i) if any such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $2,000,000, such transaction or series of related transactions shall be approved (and the

value of any non-cash consideration shall be determined) by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions; and (ii) in the event that such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $20,000,000 (with the value of any non-cash consideration being determined by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions), the Company or such Subsidiary, as the case may be, shall have also received a written opinion from a nationally recognized investment banking firm that such transaction or series of related transactions is fair to the shareholders, in their capacity as such, of the Company or such Subsidiary from a financial point of view and such opinion has been delivered to the Trustee; provided, further, in the event that the Board of Directors of the Company or the Subsidiary, as the case may be, proposing to engage in a transaction or series of related transactions described in the preceding proviso does not have any members having no personal stake in such business, transaction or transactions, the Company or such Subsidiary may enter into such transaction or series of transactions if the Company or such Subsidiary, as the case may be, shall have received the written opinion of a nationally recognized investment banking firm that the terms thereof, from a financial point of view, are fair to the shareholders of the Company or such Subsidiary, in their capacity as such (the determination as to the value of any non-cash consideration referred to in the preceding proviso to be made by such investment banking firm), and such opinion shall have been delivered to the Trustee.

(b) The foregoing paragraph (a) shall not prevent the following:

(1) any transaction between a Subsidiary of the Company and its own employee stock ownership or benefit plan;

(2) any transaction with an officer or director of the Company or any of its Subsidiaries entered into in the ordinary course of business (including compensation or employee benefit arrangements with any such officer or director);

(3) any business or transaction by an ISP Subsidiary, the Company or, after the Determination Date,

any Subsidiary of the Company with an Unrestricted Affiliate;

(4) transactions permitted by Section 4.17;

(5) payments made or actions taken pursuant to any of the Specified Agreements (or any new agreement referred to in paragraph (c) below), as any such Specified Agreement (or new agreement) is, subject to paragraph (c) below, amended, modified, extended or waived from time to time;

(6) the making of a Restricted Payment or Restricted Investment otherwise permitted by Section 4.13(a) or those transactions specifically permitted by Section 4.13(b);

(7) (i) transactions between or among Non-Recourse Subsidiaries of ISP, (ii) transactions between or among Non-Recourse Subsidiaries of BMCA, (iii) transactions between or among Non-Recourse Subsidiaries of any Specified Subsidiary and (iv) on or after the Determination Date, transactions between or among Non- Recourse Subsidiaries of the Company; or

(8) (i) so long as ISP is a Recourse Subsidiary of the Company, transactions between or among ISP, its Recourse Subsidiaries and the Company, (ii) transactions between or among BMCA and its Recourse Subsidiaries,
(iii) transactions between or among any Specified Subsidiary and its Recourse Subsidiaries and (iv) on or after the Determination Date, transactions between or among the Company and its Recourse Subsidiaries.

(c) The Company will not, and will not permit any of its Subsidiaries to, amend, modify, extend or waive any provision of any of the Specified Agreements in any manner which is significantly adverse to the Company or the Holders (it being understood that an extension or modification of either of the Granules Contracts (or any similar granules purchase contract) on terms at least as favorable to the Company as those available at the time of the extension or modification (or any such new agreement) in a comparable transaction in arms-length dealings with an unrelated Person shall not be deemed significantly adverse to the Company or the Holders).

Section 4.17. Limitation on Investments in Non- Recourse Subsidiaries by ISP Subsidiaries and BMCA Subsidiaries. (a) The Company shall not, and shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a

Subsidiary of the Company) to, make Investments in Non-Recourse Subsidiaries of ISP if, after giving effect thereto, the cumulative aggregate amount (the amount so expended, if other than in cash, to be determined by the Board of Directors of ISP, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, made by the Company and ISP Subsidiaries would exceed 20% of the Consolidated Net Worth of ISP.

(b) The Company shall not permit any BMCA Subsidiary (so long as such BMCA Subsidiary is a Subsidiary of the Company) to make Investments in Non-Recourse Subsidiaries of BMCA if, after giving effect thereto, the cumulative aggregate amount (the amount so expended, if other than cash, to be determined by the Board of Directors of BMCA, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, would exceed $50,000,000.

Section 4.18. Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company shall not, and shall not permit any of its Recourse Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or pay any Debt owed to the Company or any of its Subsidiaries, (b) make loans or advances to, or Issue any Guarantee for the benefit of, the Company or any of its Subsidiaries, (c) transfer any of its properties or assets to the Company or any of its Subsidiaries or (d) incur or suffer to exist Liens in favor of the Holders, except for such encumbrances or restrictions existing under or by reason of the following:

(1) applicable law;

(2) the Indenture and the indenture governing the Exchange Offer Notes;

(3) customary provisions restricting subletting or assignment of any lease or license or other commercial agreement;

(4) any instrument governing Acquired Debt of any Person, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than such Person and its Subsidiaries, or the property or assets of such Person and its Subsidiaries, so acquired;

(5) Liens specifically permitted by Section 4.14; provided that such Liens and the terms governing such Liens do not, directly or indirectly, restrict the Company or its Subsidiaries from granting other Liens, except as to the assets subject to such Liens;

(6) the Credit Agreement or other Debt existing on the Issue Date and any Refinancing of the Credit Agreement or any such other Debt; provided that the terms and conditions of any such Refinancing agreements relating to the terms described under clauses (a)-(d) above are no less favorable to the Company and its Subsidiaries than those contained in the agreements governing the Debt being Refinanced;

(7) covenants contained in agreements governing Debt of BMCA Subsidiaries; provided, however, that such covenants shall not prohibit the BMCA Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) $25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of BMCA for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by BMCA Subsidiaries since such date; and

(8) covenants contained in agreements governing Debt of ISP Subsidiaries; provided, however, that such covenants shall not prohibit the ISP Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) $25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of ISP for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by ISP Subsidiaries since such date.

Section 4.19. Change of Control. (a) In the event of any Change of Control, each Holder shall have the right, at such Holder's option, to require the Company to purchase all or any portion (in integral multiples of $1,000) of such Holder's Notes on the date (the "Change of Control Payment Date") which is 25 Business Days after the date the Change of Control Notice (as defined below) is mailed or is required to be mailed (or

such later date as is required by applicable law) at 101% of the principal amount thereof (or, if lower, the redemption price then in effect under the third paragraph of Section 5(a) of the Notes) plus accrued interest thereon to the Change of Control Payment Date.

(b) The Company or, at the request of the Company, the Trustee shall send, by first-class mail, postage prepaid, to all Holders, within ten Business Days after the occurrence of each Change of Control, a notice of the occurrence of such Change of Control (the "Change of Control Notice"), specifying a date by which a Holder must notify the Company of such Holder's intention to exercise the repurchase right and describing the procedure that such Holder must follow to exercise such right. The Company is required to deliver a copy of such notice to the Trustee.

Each Change of Control Notice shall state:

(1) that the change of control offer is being made pursuant to this Section 4.19 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the Change of Control Payment Date;

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the change of control offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Note purchased pursuant to a change of control offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day prior to the Change of Control Payment Date;

(6) that the Company has the right, pursuant to the second paragraph under Section 5(a) of the Notes, to redeem Notes not tendered at 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium;

(7) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than five

Business Days prior to the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered; and

(9) the circumstances and relevant facts regarding such Change of Control.

No failure of the Company to give the foregoing notice shall limit any Holder's right to exercise a repurchase right. The Company shall comply with all applicable Federal and state securities laws in connection with each Change of Control Notice.

On or before the Change of Control Payment Date, the Company shall (i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Notice, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes so tendered and (iii) deliver to the Trustee Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders new Notes equal in principal amount to any unpurchased portion of the Notes surrendered. Any Notes not so purchased shall be promptly mailed by the Company to the Holder thereof. For purposes of this Section 4.19, the Trustee shall act as the Paying Agent.

Section 4.20. Limitation on Asset Sales. (a) The Company shall not, and shall not permit any of its Subsidiaries, directly or indirectly, to consummate an Asset Sale unless:

(1) the Company or such Subsidiary, as the case may be, receives consideration (including non-cash consideration, whose fair market value shall be determined in good faith by the Board of Directors of the Company or such Subsidiary, as evidenced by a Board Resolution) at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Board of Directors, as evidenced by a Board Resolution);

(2) at least 75% of the consideration received by the Company or such Subsidiary, as the case may be, shall be cash or Cash Equivalents; provided, however, that this clause (2) shall not prohibit any Asset Sale for which the Company or such Subsidiary, as the case may be, receives 100% of the consideration, directly or through the acquisition of Capital Stock of a Person, in operating assets;

(3) in the case of an Asset Sale prior to the Spin Off by G-I Holdings or any of its Post-Spin Off Subsidiaries, the Company shall commit to apply the Net Cash Proceeds of such Asset Sale within 300 days of the consummation of such Asset Sale, and shall apply such Net Cash Proceeds within 360 days of receipt thereof (if such 360th day is prior to the Spin Off), (i) to invest in the businesses that G-I Holdings and its Post-Spin Off Subsidiaries (or, on or after the Determination Date, the Company and its Recourse Subsidiaries) are engaged in at the time of such Asset Sale or any like or related business, (ii) to pay the Debt referred to in the last sentence of the definition of "Debt" or make provision for the payment thereof, through an escrow or other fund,
(iii) to pay or satisfy Debt or Preferred Stock of any BMCA Subsidiary and/or (iv) to offer to purchase the Notes, the Exchange Offer Notes, the Senior Discount Notes due 1998 and Series B Discount Notes due 1998 of G-I Holdings (the "Discount Notes"), the Series B 10% Senior Notes due 2006 of G-I Holdings and/or the 11-3/4% Senior Deferred Coupon Notes due 2004 of BMCA in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption (or, in the case of such Discount Notes and, to the extent provided in the indenture relating to such BMCA Notes, 100% of the accreted value thereof); provided, however, that the Company may defer making such an offer until the aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to this clause (3)(iv) equal or exceed $20,000,000; and

(4) in the case of an Asset Sale by the Company or any of its Post-Spin Off Subsidiaries, the Company or such Post-Spin Off Subsidiary, as the case may be, shall apply the Net Cash Proceeds of such Asset Sale within one year of receipt thereof (i) to invest in the businesses that the Company and its Post-Spin Off Recourse Subsidiaries (or, on or after the Determination Date, the Company and its Recourse Subsidiaries) are engaged in at the time of such Asset Sale or any like or related business, (ii) on or after the Determination Date, to pay the Debt referred

to in the last sentence of the definition of "Debt" or make provision for the payment thereof, through an escrow or other fund, (iii) to pay or satisfy Debt or Preferred Stock of the Company or such Post-Spin Off Subsidiary, as the case may be, and/or (iv) to offer to purchase the Notes and the Exchange Offer Notes, on a pro rata basis, in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, however, that, prior to the Spin Off, G-I Holdings shall, to the extent required under the indentures governing the Discount Notes and the 10% Senior Notes due 2006 of G-I Holdings (the "10% Notes"), first offer to purchase any outstanding Discount Notes and 10% Notes in a tender offer at a redemption price equal to, in the case of Discount Notes, 100% of the accreted value thereof, and in the case of 10% Notes, 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, further, however, that the Company may defer making any such offer until aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to clause (4)(iv) equal or exceed $20,000,000;

provided, however, that (i) the Company and its Subsidiaries may retain up to $5,000,000 of Net Cash Proceeds from Asset Sales in any twelve-month period (without complying with clause
(3) or (4)) and (ii) any Asset Sale that would result in a Change of Control shall not be governed by this Section 4.20 but shall be governed by Section 4.19.

(b) Notice of an offer to purchase the Notes pursuant to Section 4.20(a) (a "Net Proceeds Offer") shall be mailed or caused to be mailed, by first class mail, by the Company, within 300 days after the relevant Asset Sale to all Holders at their last registered addresses as of a date within 15 days prior to the mailing of such notice, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Net Proceeds Offer and shall state the following terms:

(1) that the Net Proceeds Offer is being made pursuant to this Section 4.20 and that all Notes tendered will be accepted for payment; provided that if the aggregate amount of Notes tendered in a Net Proceeds Offer exceeds the aggregate amount available for the Net Proceeds Offer, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company, so that only Notes in denominations of $1,000 or multiples thereof shall be purchased);

(2) the purchase price and the purchase date (which shall be determined in accordance with Section 4.20(a)) (the "Proceeds Purchase Date");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless there is a default in making payment therefor, any Note accepted for payment pursuant to the Net Proceeds Offer shall cease to accrue interest after the Proceeds Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to a Net Proceeds Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day prior to the Proceeds Purchase Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than two Business Days prior to the Proceeds Purchase Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing his or her election to have such Notes purchased; and

(7) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered.

On or before the Proceeds Purchase Date, the Company or such Subsidiary, as the case may be, shall (i) accept for payment Notes or portions thereof tendered pursuant to the Net Proceeds Offer which are to be purchased in accordance with item (b)(1) above, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes to be purchased and (iii) deliver to the Trustee Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price. For purposes of this Section 4.20, the Trustee shall act as the Paying Agent.

Section 4.21. Investment Company Act. The Company shall not take any action that would require it or any of its

Subsidiaries to register as an investment company under the Investment Company Act of 1940.

Section 4.22. Consents, etc. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any fee, interest or other amount to any Holders in connection with any consent, waiver or amendment to this Indenture or the Notes, unless such fee, interest or other amount is offered or agreed to be paid to all Holders who are given the same opportunity to so consent, waive or agree to amend and who, in fact, so consent, waive or agree to amend.

Section 4.23. Registration Rights. The Company hereby grants to the Holders the registration rights set forth on Schedule A hereto, the terms of which are hereby incorporated by reference.

Section 4.24. Spin Off. Notwithstanding anything in this Indenture to the contrary, as long as no Default or Event of Default shall have occurred and be continuing, the Company may consummate the Spin Off.

## ARTICLE V

## SUCCESSOR CORPORATION

Section 5.01. When the Company May Merge, etc. The Company shall not consolidate with or merge with or into or sell, assign, transfer or lease all or substantially all of its properties and assets (either in one transaction or series of related transactions) to any Person, unless:

(1) the Company shall be the continuing Person, or the resulting, surviving or transferee Person (if other than the Company) shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture, and this Indenture shall remain in full force and effect;

(2) immediately before and immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any of its Subsidiaries as a result of such transaction as having

been issued by such Person or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) immediately after giving effect to such transaction (other than a merger of G-I Holdings with the Company after the Determination Date), the resulting, surviving or transferee Person shall have a Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of the Company immediately prior to such transaction; provided, however, that, so long as no Default or Event of Default has occurred and is continuing or would result therefrom this paragraph shall not prohibit the Spin Off.

In connection with any consolidation, merger, sale, assignment, transfer or lease contemplated by this Section 5.01, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer or lease and the supplemental indenture in respect thereto comply with this Article V and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 5.02. Successor Corporation Substituted. Upon any consolidation or merger or any sale, assignment, transfer or lease of all or substantially all of the assets of the Company in accordance with Section 5.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, with the same effect as if such successor corporation had been named as the Company herein, and, except in the case of a lease, the Company will be discharged from all obligations and covenants under this Indenture and the Notes.

## ARTICLE VI

## DEFAULTS AND REMEDIES

Section 6.01. Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest on, or Additional Interest (if any) with respect to, any Note when the same becomes due and

payable and the default continues for a period of 30 days;

(2) (i) the Company defaults in the payment of the principal of any Note when the same becomes due and payable at maturity or otherwise or (ii) the Company fails to redeem or repurchase Notes when required pursuant to this Indenture or the Notes;

(3) the Company fails to comply with
Section 5.01;

(4) the Company fails to comply for 30 days after notice with any of its obligations under Sections 4.03, 4.06 and 4.09 through 4.20, inclusive;

(5) the Company fails to comply for 60 days after notice with its other agreements contained in this Indenture or the Notes (other than those referred to in clauses (1)-(4) above);

(6) Debt of the Company or any Significant Subsidiary is not paid within any applicable grace period or is accelerated by the holders thereof because of a default and the total principal amount of the portion of such Debt that is unpaid or accelerated exceeds $15,000,000 or its foreign currency equivalent and such default continues for 5 days after notice;

(7) the Company or any of its Significant Subsidiaries (A) admits in writing its inability to pay its debts generally as they become due, (B) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (C) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (D) consents to the appointment of a Custodian of it or for substantially all of its property, (E) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (F) makes a general assignment for the benefit of its creditors, or (G) takes any corporate action to authorize or effect any of the foregoing; and

(8) any judgment or order for the payment of money in excess of $15,000,000 in the aggregate is rendered against the Company or any Significant Subsidiary of the Company and (i) there is a period of 60 days following the entry of such judgment or order during which such judgment or order is not discharged,

waived or the execution thereof stayed and such default continues for 10 days after the notice specified below or (ii) foreclosure proceedings therefor have begun and have not been stayed within five days of the commencement of such foreclosure proceeding.

A Default under clause (4), (5), (6) or (8) is not an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes notify the Company in writing of the Default, and the Company does not cure the Default within the time specified in such clause after receipt of such notice. Such notice shall be given by the Trustee if so requested in writing by the Holders of at least 25% in aggregate principal amount of the outstanding Notes. When a Default under clause (4), (5), (6) or (8) is cured or remedied within the specified period, it ceases to exist.

Section 6.02. Acceleration. If an Event of Default (other than an Event of Default with respect to the Company specified in Section 6.01 clause (7) above) occurs and is continuing, the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may declare the principal of and accrued interest on all Notes then outstanding to be due and payable (the "Default Amount"). Upon a declaration of acceleration, such amount shall be due and payable immediately.

If an Event of Default with respect to the Company specified in clause (7) of Section 6.01 above occurs, the Default Amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount at maturity of the Notes then outstanding, by written notice to the Trustee and the Company, may rescind an acceleration with respect to the Notes and its consequences if
(i) all existing Defaults and Events of Default, other than the non-payment of the principal of the Notes which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid and (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Section 6.03. Other Remedies. Notwithstanding any other provision of this Indenture, if an Event of Default

occurs and is continuing and the Holders are entitled to payment as a result of acceleration, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of and/or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.04. Waiver of Past Defaults. Subject only to the provisions of Sections 6.07 and 9.02, the Holders of a majority in aggregate principal amount of the outstanding Notes by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on any Note as specified in clauses (1) and (2) of Section 6.01. When a Default or Event of Default is waived, it is cured and ceases to exist.

Section 6.05. Control by Majority. The Holders of a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of another Holder as such, or that may subject the Trustee to personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 6.06. Limitation on Remedies. Except as provided in Section 6.07, a Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction which, in the opinion of the Trustee, is inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder.

Section 6.07. Rights of Holders To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of and interest on the Note, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee. If an Event of Default specified in clause (1) or (2) of Section 6.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any other obligor on the Notes for the whole amount due and payable on such Notes for principal, premium, if any, interest and, to the extent that payment of such interest is lawful, interest on overdue principal, at the rate per annum specified in the Notes, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property. The Trustee shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable

on any such claims and any custodian in any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to the Trustee for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities. If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

First: to the Trustee for amounts due under
Section 7.07;

Second: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

Third: to the Company or any other obligors on the Notes, as their interests may appear, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by any Holder or a group of Holders of more than 10% in principal amount of the outstanding Notes.

Section 6.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

## ARTICLE VII

## TRUSTEE

Section 7.01. Rights of Trustee. Subject to TIA { 315(a) through (d):

(A) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(B) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, which shall conform to Section
10.05. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(C) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(D) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided that the Trustee's conduct does not constitute negligence.

(E) The Trustee may consult with counsel of its own choosing and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(F) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 7.02. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to TIA {{ 310(b) and 311.

Section 7.03. Money Held in Trust. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.04. Trustee's Disclaimer. The Trustee makes no representation as to the legality or validity or adequacy of this Indenture or the Notes, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement in the Notes other than its certificate of authentication.

Section 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of the principal of or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 7.06. Reports by Trustee to Holders. Within 60 days after each May 15 beginning with the May 15 following the Issue Date, the Trustee shall mail to each Holder a report dated as of May 15 if required by TIA { 313(a). The Trustee also shall comply with TIA {{ 313(b) and 313(c).

A copy of each such report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange, if any, on which the Notes are listed.

The Company shall promptly notify the Trustee in writing if the Notes become listed on any national securities exchange or of any delisting thereof.

Section 7.07. Compensation and Indemnity. The Company agrees that it shall pay to the Trustee from time to time such compensation as the Company and the Trustee shall agree in writing for its services. The Trustee's compensation shall not be limited by any law on compensation relating to the trustee of an express trust. The Company agrees that it shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel. Such expenses shall also include any taxes or other reasonable costs incurred by the trust created under Section 8.03.

The Company shall indemnify each of the Trustee and any predecessor Trustee for, and hold it harmless against, any and all loss, damage, claim or liability or expense, including taxes (other than taxes based on or measured by the income or gross receipts of the Trustee) incurred by it in connection with the administration of this trust and its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the acceptance, exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder unless the Company is actually prejudiced thereby. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

To secure the Company's payment obligations in this
Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee except money or property held in trust to pay principal of or interest on particular Notes.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in
Section 6.01(7), the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The Company's obligations under this Section 7.07 and any Lien arising hereunder shall survive the resignation or removal of any Trustee, the discharge of the Company's obligations pursuant to Article VIII and/or the termination of this Indenture.

Section 7.08. Replacement of Trustee. A resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Sec- tion 7.08. The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation. The Holders of a majority in aggregate principal amount of the outstanding Notes may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with
Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. The Trustee shall be entitled to payment of its fees and reimbursement of its expenses while acting as Trustee, and to the extent such amounts remain unpaid, the Trustee that has resigned or has been removed shall retain the Lien afforded by Section 7.07. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately thereafter, subject to the Lien provided in Section 7.07, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the retiring Trustee under this Indenture.

A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in aggregate principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If any Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Any successor Trustee shall comply with TIA { 310(a)(5).

Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, etc. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee, if such corporation or association complies with Section 7.10.

Section 7.10. Eligibility; Disqualification. This Indenture shall always have a Trustee who satisfies the requirements of TIA { 310(a)(1). The Trustee shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company subsidiary shall have) a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee also shall comply with TIA { 310(b).

Section 7.11. Preferential Collection of Claims Against the Company. The Trustee is subject to TIA { 311(a), excluding from the operation of TIA { 311(a) any creditor relationship listed in TIA { 311(b). A Trustee who has resigned or been removed shall be subject to TIA { 311(a) to the extent indicated therein.

Section 7.12. Duties of Trustee. (A) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill

in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(B) Except during the continuance of a Default or an Event of Default:

(1) the Trustee need perform only those duties as are specifically set forth in this Indenture and no others and no implied covenants or obligation shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and which conform to the requirements of this Indenture; provided, however, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(C) The Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (B) of this Section 7.12;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to
Section 6.05.

(D) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(E) Every provision of this Indenture that in any way relates to the Trustee is subject to Sections 7.12(A), (B), (C) and (D).

## ARTICLE VIII

## DISCHARGE OF INDENTURE; DEFEASANCE

Section 8.01. Discharge of Liability on Notes; Defeasance. (a) When (i) the Company delivers to the Trustee all outstanding Notes (other than Notes replaced pursuant to Section 2.07) for cancellation or (ii) all outstanding Notes have become due and payable, and the Company irrevocably deposits with the Trustee money sufficient to pay at maturity all outstanding Notes, including interest thereon (other than Notes replaced pursuant to Section 2.07), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Sections 8.01(c) and 8.06, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as to the satisfaction of all conditions to such satisfaction and discharge of this Indenture and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c), 8.02 and 8.06, the Company may at any time terminate (i) all its obligations under the Notes and this Indenture ("legal defeasance"), or (ii) its obligations under Sections 4.03, 4.04, 4.06, 4.08 through 4.21 and 4.23 and the operation of Section 6.01(3), 6.01(4), 6.01(5), 6.01(6), 6.01(7) (with respect only to Significant Subsidiaries) and 6.01(8) and the limitation contained in Section 5.01(3) ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 7.07, 7.08, 8.04, 8.05 and 8.06 shall survive until the Notes have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 8.04 and 8.05 shall survive.

Section 8.02. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal and interest, if any, on the Notes to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Notes to maturity or redemption, as the case may be;

(3) no Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(4) the deposit does not constitute a default under any other agreement binding on the Company;

(5) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) the Company delivers to the Trustee an Opinion of Counsel stating that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and, in the case of legal defeasance only, such Opinion of Counsel shall be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law; and

(7) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes as contemplated by this Article VIII have been complied with.

Notwithstanding the foregoing provisions of this Section, the conditions set forth in the foregoing paragraphs

(2), (3), (4), (5), (6) and (7) need not be satisfied so long as, at the time the Company makes the deposit described in paragraph (1), (i) no Default under Section 6.01(1), 6.01(2), 6.01(7) or 6.01(8) has occurred and is continuing on the date of such deposit and after giving effect thereto and (ii) either
(x) a notice of redemption has been mailed pursuant to Section 3.03 providing for redemption of all the Notes 30 days after such mailing and the provisions of Section 3.01 with respect to such redemption shall have been complied with or (y) the Stated Maturity of all of the Notes will occur within 30 days. If the conditions of the preceding sentence are satisfied the Company shall be deemed to have exercised its covenant defeasance option.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article III (including by utilizing amounts under deposit).

Section 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest, if any, on the Notes.

Section 8.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charges imposed on or assessed against U.S. Government Obligations deposited with the Trustee hereunder or the principal and interest received on such U.S. Government Obligations.

Section 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of

any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII; provided that, if the Company has made any payment of interest on or principal of any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

## ARTICLE IX

## AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01. Without Consent of Holders. The Company, when authorized by a resolution of its Board of Directors, and the Trustee may amend or supplement this Indenture or the Notes without notice to or consent of any Holder:

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

(2) to comply with Article V;

(3) to provide for uncertificated Notes in addition to certificated Notes;

(4) to comply with any requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA;

(5) to make any change that would provide any additional benefit or rights to the Holders or that does not adversely affect the rights of any Holder; or

(6) to provide for issuance of the Exchange Notes, which will have terms substantially identical in all material respects to the Initial Notes (except that the transfer restrictions contained in the Initial Notes will be modified or eliminated, as appropriate), and which will be treated together with any outstanding Initial Notes, as a single issue of securities.

Notwithstanding the above, the Trustee and the Company may not make any change that adversely affects the rights of any Holders hereunder.

Section 9.02. With Consent of Holders. Subject to
Section 6.07, the Company, when authorized by resolution of its Board of Directors, and the Trustee may amend this Indenture or the Notes with the written consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, and the Holders of a majority in aggregate principal amount of the Notes then outstanding by written notice to the Trustee may waive future compliance by the Company with any provision of this Indenture or the Notes.

Notwithstanding the provisions of this Section 9.02, without the consent of each Holder affected, an amendment or waiver, including a waiver pursuant to Section 6.04, may not:

(A) change the stated maturity of the principal of, or any installment of interest on, any Note or reduce the principal amount thereof, the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(B) reduce the percentage in principal amount of the outstanding Notes, the consent of the Holders of which is required for any supplemental indenture or the consent of such Holders is required for any waiver of compliance with provisions of this Indenture or Defaults hereunder and their consequences provided for in this Indenture;

(C) modify any of the provisions relating to supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of covenants, except to increase any such percentage of outstanding Notes required for such actions or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of each Holder affected thereby;

(D) waive a default in the payment of the principal of or interest on any Note or modify or waive

the Company's obligation to repurchase Notes under
Section 4.19 or 4.20;

(E) except as otherwise permitted by the covenants contained in Article V, consent to the assignment or transfer by the Company of any of its rights and obligations under this Indenture;

(F) make any change in this Section 9.02 or
Section 6.04 or 6.07; or

(G) change the time at which any Note must be redeemed or repaid in accordance with the terms of this Indenture and the Notes.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof. Any amendment, waiver or consent shall be deemed effective upon receipt by the Trustee of the necessary consents and shall not require execution of any supplemental indenture to be effective.

After an amendment or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of each Note affected thereby, with a copy to the Trustee, a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, waiver or consent. Except as otherwise provided in this Section 9.02, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provisions of this Indenture or the Notes.

Section 9.03. Revocation and Effect of Consents. Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by such Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his Note or portion of a Note. Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder; provided that if such

amendment, supplement or waiver makes a change described in any of clauses (A) through (G) of Section 9.02, such amendment, supplement or waiver shall bind each Holder of a Note who has consented to it; and provided, further, that if notice of such amendment, supplement or waiver is reflected on a Note that evidences the same debt as the consenting Holder's Note, such amendment, supplement or waiver shall bind every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note.

Section 9.04. Record Date. The Company shall be permitted to set a record date for purposes of determining the identity of Holders entitled to vote or consent on any matter arising under this Indenture. In the Company's sole discretion, the record date shall be either (i) the record date as determined pursuant to { 316(c) of the TIA or (ii) such other record date as the Company shall select.

Section 9.05. Notation on or Exchange of Notes. If an amendment, supplement or waiver changes the terms of a Note, the Trustee may (and, at the request of the Company, shall) require the Holder of the Note to deliver it to the Trustee. The Trustee may (and, at the request of the Company, shall) place an appropriate notation on the Note about the changed terms and return it to the Holder and the Trustee may (and, at the request of the Company, shall) place an appropriate notation on any Note thereafter authenticated. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms.

Section 9.06. Trustee May Sign Amendments, etc. The Trustee shall sign any amendment, supplement or waiver authorized pursuant to this Article IX if the amendment, supplement or waiver does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment, supplement or waiver, the Trustee shall be entitled to receive and, subject to TIA { 315(a) through
(d), shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment, supplement or waiver is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

## ARTICLE X

## MISCELLANEOUS

Section 10.01. Trust Indenture Act of 1939. This Indenture is subject to the provisions of the TIA that are required to be a part of this Indenture, and shall, to the extent applicable, be governed by such provisions.

Section 10.02. Notices. Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

**If to the Company, to:**

c/o ISP Management Company Inc.
1361 Alps Road
Wayne, New Jersey 07470

Attention: General Counsel

**If to the Trustee, to:**

The Bank of New York
101 Barclay Street, 21 West
New York, New York 10286

Attention: Corporate Trust Trustee Administration

The parties hereto by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed, postage prepaid, to a Holder shall be mailed by first class mail to him at his address as it appears on the Notes register maintained by the Registrar and shall be sufficiently given to him if so mailed within the time prescribed. Copies of any such communication or notice to a Holder shall also be mailed to the Trustee.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Except for a notice to the Trustee or the Company, which is deemed given only when received, if a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 10.03. Communication by Holders with Other Holders. Holders may communicate pursuant to TIA { 312(b) with other Holders with respect to their rights under this Indenture

or the Notes. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA { 312(c).

Section 10.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 4.05(b)) shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinions contained in such certificate or opinion are based;

(3) a brief statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with; provided that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

Section 10.06. Rules by Trustee, Paying Agent, Registrar. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

Section 10.07. Governing Law. The laws of the State of New York shall govern this Indenture and the Notes without regard to principles of conflicts of law. The Trustee, the Company and the Holders agree to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Indenture or the Notes.

Section 10.08. No Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries. No such indenture, loan or debt agreement may be used to interpret this Indenture.

Section 10.09. No Recourse Against Others. No director, officer, employee, stockholder or Affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Notes or this Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability.

Section 10.10. Legal Holidays. A "Legal Holiday" is a Saturday, Sunday or a day on which banking institutions in New York, New York are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday and interest shall not accrue for the intervening period.

Section 10.11. Successors. All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.12. Duplicate Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all such executed copies together represent the same agreement.

Section 10.13. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Holder shall have no claim therefor against any party hereto.

Section 10.14. Table of Contents, Headings, etc. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a

part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

## SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

**ISP HOLDINGS INC.**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**THE BANK OF NEW YORK,**
**as Trustee**

*By: /s/Timothy J. Shea*
*---*
*Name: Timothy J. Shea*
*Title: Assistant Treasurer*

**EXHIBIT A**

**[FORM OF FACE OF INITIAL NOTE]**

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS THREE YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUANCE OF THIS NOTE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF THIS NOTE (THE "RESALE RESTRICTION TERMINATION DATE") RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE BANK OF NEW YORK, AS TRUSTEE, A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE), (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (F) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND TO COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE BEFORE THE RESALE RESTRICTION TERMINATION DATE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. IF THE PROPOSED TRANSFER IS PURSUANT TO CLAUSES (C), (D) OR (E) ABOVE, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY



G-I_EPA0009428

REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

No. $_____

**CUSIP No. 450302AA2**

**ISP HOLDINGS INC.**

**9% SENIOR NOTES DUE 2003**

ISP HOLDINGS INC., a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on October 15, 2003 and to pay interest thereon on April 15 and October 15, in each year, commencing on April 15, 1997 (each an "Interest Payment Date"), accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate specified herein, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Note is registered at the close of business on the April 1 or October 1, whether or not a Business Day, as the case may be, immediately preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Notes, to the extent lawful, shall forthwith cease to be payable to the Holder on such Interest Payment Date, and may be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to Holders not less than 15 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.



G-I_EPA0009430

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

**ISP HOLDINGS INC.**

[Seal]
By: _____ Name:

Title:

By: _____
Name:
Title:

Dated:

**Trustee's Certificate of Authentication**

This is one of the 9% Senior
Notes due 2003 described in
the within-mentioned Indenture.

**THE BANK OF NEW YORK,**
**as Trustee**

By: _____
Authorized Signatory

**[FORM OF REVERSE SIDE INITIAL NOTE]**

**ISP HOLDINGS INC.**

**9% Senior Notes due 2003**

1. Interest. (a) ISP HOLDINGS INC., a Delaware corporation (the "Company"), shall pay interest on overdue principal at the rate of 9% per annum.

(b) Notwithstanding the foregoing, if the Spin Off has not been consummated before the Interest Increase Trigger Date, the Notes will be deemed to have borne interest at a rate of 9.75% per annum from (and including) the Issue Date (the "New Interest Rate"). The additional interest that is deemed to have accrued prior to the Interest Increase Trigger Date shall be paid by the Company on the Interest Payment Date immediately following the Interest Increase Trigger Date (the "Special Payment Date") to the persons who are registered Holders on the Interest Record Date for such Interest Payment Date. The default interest referred to in Section 2.12 of the Indenture shall not apply to such additional interest except to the extent not paid on the Special Payment Date. The New Interest Rate shall be in effect until the earlier of (x) the Spin Off Date and (y) if the Determination Date occurs, the date on which all of the Notes are redeemed, defeased or otherwise discharged.

(c) Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Holder must surrender this Note to a Paying Agent to collect principal payments. the Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. With respect to certificated Notes, the Company, however, may pay interest by a check payable in such money. The Company may mail an interest check to the Holder's registered address. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar. Initially, The Bank of New York (the "Trustee") or its agent will act as Paying Agent and Registrar. The Company may change any Paying Agent,



G-I_EPA0009432

Registrar or co-Registrar without prior notice to any Holder. The Company or any of its Subsidiaries or Affiliates may act in any such capacity, except in certain circumstances.

4. Indenture. The Company issued the Notes under an Indenture dated as of October 18, 1996 (the "Indenture") between the Company and the Trustee. Capitalized terms used in this Note and not defined in this Note shall have the meaning set forth in the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and said Act for a statement of such terms.

The Notes are senior unsecured obligations of the Company limited to $325,000,000 in aggregate principal amount. This Note is one of the Initial Notes referred to in the Indenture. The Notes include the Initial Notes, any Exchange Notes, as defined below, issued in exchange for the Initial Notes pursuant to the Indenture and the Private Exchange Notes. The Initial Notes, the Exchange Notes and the Private Exchange Notes are treated as a single class of securities under the Indenture.

5. Redemption.

(a) Optional Redemption. In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP or (z) on and after the Determination Date, BMCA or its parent consummates sale of the Common Stock of BMCA, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% (in the case of a redemption under clause (x) or (y)) or 25% (in the case of a redemption under clause (z)) of the principal amount of the Notes then outstanding at a redemption price equal to 109% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes then outstanding, at a redemption price equal to 100% of the

principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium. Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such redemption, and redemption must be made within 30 days of the date of the notice.

The Notes will be redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

| YEAR | PERCENTAGE |
|---|---|
| 1999 ..... | 104.5% |
| 2000 ..... | 103.0% |
| 2001 ..... | 101.5% |
| 2002 ..... | 100.0% |

(b) Mandatory Redemption. The Notes will not have the benefit of any sinking fund.

6. Put Provisions. Upon a Change of Control, each Holder of Notes will have the right to cause the Company to repurchase all or any part (in integral multiples of $1,000) of the Notes of such Holder at a repurchase price equal to 101% of the principal amount thereof (or, if lower, the redemption price then in effect as set forth in the third paragraph of Section 5(a)) plus accrued interest thereon to the date of repurchase, as provided in, and subject to the terms of, the Indenture.

7. Notice of Redemption. Notice of redemptions pursuant to Section 5 will be mailed at least 30 days but not more than 60 days before the applicable redemption date (or, if applicable at such other time as is provided by Section 5(a)) to each Holder of Notes to be redeemed at the Holder's registered address. If money sufficient to pay the redemption price and accrued interest on all Notes to be redeemed on the redemption date is deposited with the Paying Agent on the redemption date, on and after such date interest ceases to accrue on such Notes or portions of them. Notes in



G-I_EPA0009434

denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000.

8. Proceeds on Disposition of Assets. Under certain circumstances, the Company is required to apply the Net Cash Proceeds (or a portion thereof) from Asset Sales to offer to purchase Notes at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

9. Denominations, Transfer, Exchange. The Notes are in registered form in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer or exchange of Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

10. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered with the Registrar as the owner for all purposes.

11. Unclaimed Money. If money for the payment of interest or principal remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Company at its written request. After such time, Holders entitled to the money must look to the Company for payment unless an abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Discharge Prior to Maturity. Subject to certain conditions, if the Company deposits with the Trustee money or U.S. Government Obligations sufficient for the payment of principal and interest on the Notes to maturity, the Company will be discharged (to the extent provided in the Indenture) from the Indenture and the Notes.

13. Amendments, Supplements and Waivers. Subject to certain exceptions requiring the consent of each Holder affected, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, provide for assumption of

the obligations of the Company to Holders in accordance with the terms of the Indenture or make any change that does not adversely affect the rights of any Holder.

14. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or certain of its Subsidiaries to make Restricted Payments and Restricted Investments and the ability of the Company and certain of its Subsidiaries to incur Debt, create Liens or engage in transactions with Affiliates or issue Preferred Stock, all subject to certain important limitations and qualifications described in the Indenture. The Indenture allows for the consummation of the Spin Off.

15. Successor Corporation. When a successor Person or other entity assumes all the obligations of its predecessor under the Notes and the Indenture, the predecessor Person will be released from those obligations.

16. Defaults and Remedies. The Notes have the Events of Default as set forth in Section 6.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. the Company must furnish quarterly compliance certificates to the Trustee.

17. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or any of its Affiliates, and may otherwise deal with the Company or any of its Affiliates, as if it were not the Trustee.

18. No Recourse Against Others. A director, officer, employee, stockholder or Affiliate, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

19. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or any authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

21. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

22. Registration Rights. Pursuant to the Registration Rights Agreement, the Company has certain obligations regarding an exchange offer pursuant to which the Holder of this Note shall have the right to exchange this Note for the Company's Series B 9% Senior Notes due 2003 (the "Exchange Notes"), which have been registered under the Securities Act, in like principal amount and having identical terms as the Initial Notes (other than certain restrictions on transfers). The Holders of the Initial Notes shall be entitled to receive certain additional interest payments in the event such exchange offer is not consummated and upon certain other conditions, all pursuant to and in accordance with the terms of the Registration Rights. Within five days after the occurrence of an event so resulting in such additional interest payments, the Company shall provide the Trustee with an Officers' Certificate describing such event and providing the Trustee with all necessary details relating to the payment of such interest, including, without limitation, the interest rate, the



G-I_EPA0009437

effective date of such interest rate and the method of calculating interest.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

ISP Holdings Inc.
c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07470
Attention: Secretary



G-I_EPA0009438

**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

(insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

**Date: _____ Your Signature:**

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:_____

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the date that is three years after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Notes are being transferred:

**CHECK ONE BOX BELOW**

(1) __ to the Company or a subsidiary thereof; or

(2) __ to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended) in compliance with Rule 144A; or

(3) __ to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) __ outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) __ pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided that if box (3), (4) or (5) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Notes, in its sole discretion, such legal opinions, certifications and other information as the Trustee or the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

Signature Guarantee: Signature

---

**Signature**



G-I_EPA0009440

**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have all of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, check the appropriate box:

Section 4.19 / / Section 4.20 / /

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, state the principal amount:
$ Date:_____Your Signature:

(Sign exactly as your name appears
on the other side of the Note)

**Signature Guarantee:**

(Signature must be guaranteed)

**EXHIBIT B**

**[FORM OF FACE OF EXCHANGE NOTE OR PRIVATE EXCHANGE NOTE*]**

No. $_____

**CUSIP No.**

**ISP HOLDINGS INC.**

**[SERIES B 9% SENIOR NOTES DUE 2003]**
**[PRIVATE EXCHANGE 9% SENIOR NOTES DUE 2003]**

ISP HOLDINGS INC., a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on October 15, 2003 and to pay interest thereon on April 15 and October 15, in each year, commencing on April 15, 1997 (each an "Interest Payment Date"), accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate specified herein, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Note is registered at the close of business on the April 1 or October 1, whether or not a Business Day, as the case may be, immediately preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Notes, to the

* If the certificate is a Private Exchange Note issued pursuant to the Registration Rights Agreement in a Private Exchange (as defined therein), add the restricted securities legend from Exhibit A to this Indenture and replace the Assignment Form included in this Exhibit B with the Assignment Form included in such Exhibit A.



G-I_EPA0009442

extent lawful, shall forthwith cease to be payable to the Holder on such Interest Payment Date, and may be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to Holders not less than 15 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

**ISP HOLDINGS INC.**

[Seal]
By: _____ Name:

Title:

By: _____
Name:
Title:

Dated:

**Trustee's Certificate of Authentication**

This is one of the [Series B 9% Senior
Notes due 2003] [Private Exchange 9% Senior Notes due 2003] described in the
within-mentioned Indenture.

**THE BANK OF NEW YORK,**
**as Trustee**

By: _____
Authorized Signatory



G-I_EPA0009444

**[FORM OF REVERSE SIDE EXCHANGE NOTE AND PRIVATE EXCHANGE NOTE]**

**ISP HOLDINGS INC.**

(Series B 9% Senior Notes due 2003)

(Private Exchange 9% Senior Notes due 2003)

1. Interest. (a) ISP HOLDINGS INC., a Delaware corporation (the "Company"), shall pay interest on overdue principal at the rate of 9% per annum.

(b) Notwithstanding the foregoing, if the Spin Off has not been consummated before the Interest Increase Trigger Date, the Notes will be deemed to have borne interest at a rate of 9.75% per annum from (and including) the Issue Date (the "New Interest Rate"). The additional interest that is deemed to have accrued prior to the Interest Increase Trigger Date shall be paid by the Company on the Interest Payment Date immediately following the Interest Increase Trigger Date (the "Special Payment Date") to the persons who are registered Holders on the Interest Record Date for such Interest Payment Date. The default interest referred to in Section 2.12 of the Indenture shall not apply to such additional interest except to the extent not paid on the Special Payment Date. The New Interest Rate shall be in effect until the earlier of (x) the Spin Off Date and (y) if the Determination Date occurs, the date on which all of the Notes are redeemed, defeased or otherwise discharged.

(c) Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Holder must surrender this Note to a Paying Agent to collect principal payments. the Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. With respect to certificated Notes, the Company, however, may pay interest by a check payable in such money. The Company may mail an interest check to the Holder's registered address. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar. Initially, The Bank of New York (the "Trustee") or its agent will act as Paying



G-I_EPA0009445

Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without prior notice to any Holder. The Company or any of its Subsidiaries or Affiliates may act in any such capacity, except in certain circumstances.

4. Indenture. The Company issued the Notes under an Indenture dated as of October 18, 1996 (the "Indenture") between the Company and the Trustee. Capitalized terms used in this Note and not defined in this Note shall have the meaning set forth in the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and said Act for a statement of such terms.

The Notes are senior unsecured obligations of the Company limited to $325,000,000 in aggregate principal amount. This Note is one of the Exchange Notes referred to in the Indenture. The Notes include the Exchange Notes and any Initial Notes in exchange for which the Exchange Notes were issued pursuant to the Indenture. The Initial Notes and the Exchange Notes are treated as a single class of securities under the Indenture.

5. Redemption.

(a) Optional Redemption. In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP or (z) on and after the Determination Date, BMCA or its parent consummates sale of the Common Stock of BMCA, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% (in the case of a redemption under clause (x) or (y)) or 25% (in the case of a redemption under clause (z)) of the principal amount of the Notes then outstanding at a redemption price equal to 109% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes then outstanding, at a redemption price equal to 100% of the

principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium. Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such redemption, and redemption must be made within 30 days of the date of the notice.

The Notes will be redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

| YEAR | PERCENTAGE |
|---|---|
| 1999 ..... | 104.5% |
| 2000 ..... | 103.0% |
| 2001 ..... | 101.5% |
| 2002 ..... | 100.0% |

(b) Mandatory Redemption. The Notes will not have the benefit of any sinking fund.

6. Put Provisions. Upon a Change of Control, each Holder of Notes will have the right to cause the Company to repurchase all or any part (in integral multiples of $1,000) of the Notes of such Holder at a repurchase price equal to 101% of the principal amount thereof (or, if lower, the redemption price then in effect as set forth in the third paragraph of Section 5(a)) plus accrued interest thereon to the date of repurchase, as provided in, and subject to the terms of, the Indenture.

7. Notice of Redemption. Notice of redemptions pursuant to Section 5 will be mailed at least 30 days but not more than 60 days before the applicable redemption date (or, if applicable at such other time as is provided by Section 5(a)) to each Holder of Notes to be redeemed at the Holder's registered address. If money sufficient to pay the redemption price and accrued interest on all Notes to be redeemed on the redemption date is deposited with the Paying Agent on the redemption date, on and after such date interest ceases to accrue on such Notes or portions of them. Notes in

denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000.

8. Proceeds on Disposition of Assets. Under certain circumstances, the Company is required to apply the Net Cash Proceeds (or a portion thereof) from Asset Sales to offer to purchase Notes at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

9. Denominations, Transfer, Exchange. The Notes are in registered form in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer or exchange of Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

10. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered with the Registrar as the owner for all purposes.

11. Unclaimed Money. If money for the payment of interest or principal remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Company at its written request. After such time, Holders entitled to the money must look to the Company for payment unless an abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Discharge Prior to Maturity. Subject to certain conditions, if the Company deposits with the Trustee money or U.S. Government Obligations sufficient for the payment of principal and interest on the Notes to maturity, the Company will be discharged (to the extent provided in the Indenture) from the Indenture and the Notes.

13. Amendments, Supplements and Waivers. Subject to certain exceptions requiring the consent of each Holder affected, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any

ambiguity, defect or inconsistency, provide for assumption of the obligations of the Company to Holders in accordance with the terms of the Indenture or make any change that does not adversely affect the rights of any Holder.

14. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or certain of its Subsidiaries to make Restricted Payments and Restricted Investments and the ability of the Company and certain of its Subsidiaries to incur Debt, create Liens or engage in transactions with Affiliates or issue Preferred Stock, all subject to certain important limitations and qualifications described in the Indenture. The Indenture allows for the consummation of the Spin Off.

15. Successor Corporation. When a successor Person or other entity assumes all the obligations of its predecessor under the Notes and the Indenture, the predecessor Person will be released from those obligations.

16. Defaults and Remedies. The Notes have the Events of Default as set forth in Section 6.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. the Company must furnish quarterly compliance certificates to the Trustee.

17. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or any of its Affiliates, and may otherwise deal with the Company or any of its Affiliates, as if it were not the Trustee.

18. No Recourse Against Others. A director, officer, employee, stockholder or Affiliate, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

19. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or any authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

21. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

ISP Holdings Inc.
c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07470
Attention: Secretary

**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

(insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

**Date: _____ Your Signature:**

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:_____

**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have all of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, check the appropriate box:

Section 4.19 / /  Section 4.20 / /

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, state the principal amount:
$ Date:_____Your Signature:

(Sign exactly as your name appears
on the other side of the Note)

**Signature Guarantee:**

(Signature must be guaranteed)

**EXHIBIT C**

**[FORM OF LEGEND FOR BOOK-ENTRY SECURITIES]**

Any Global Note authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS NOTE IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**ISP HOLDINGS INC.**

**9 3/4% Senior Notes due 2002**

and

**Series B 9 3/4% Senior Notes due 2002**

# INDENTURE

**Dated as of October 18, 1996**

**THE BANK OF NEW YORK**

**Trustee**

## CROSS-REFERENCE TABLE*

| Trust Indenture Act Section | Indenture Section |
|---|---|
| 310(a)(1) | 7.10 |
| (a)(2) | 7.10 |
| (a)(3) | N.A. |
| (a)(4) | N.A. |
| (a)(5) | 7.08 |
| (b) | 7.08; 7.10; 10.02 |
| (c) | N.A. |
| 311(a) | 7.11 |
| (b) | 7.11 |
| (c) | N.A. |
| 312(a) | 2.05 |
| (b) | 10.03 |
| (c) | 10.03 |
| 313(a) | 7.06 |
| (b)(1) | N.A. |
| (b)(2) | 7.06 |
| (c) | 7.06; 10.02 |
| (d) | 7.06 |
| 314(a) | 4.05; 4.06; 10.02 |
| (b) | N.A. |
| (c)(1) | 10.04 |
| (c)(2) | 10.04 |
| (c)(3) | N.A. |
| (d) | N.A. |
| (e) | 10.05 |
| (f) | N.A. |
| 315(a) | 7.12(b) |
| (b) | 7.05; 10.02 |
| (c) | 7.12(a) |
| (d) | 7.12(c) |
| (e) | 6.11 |
| 316(a)(last sentence) | 2.09 |
| (a)(1)(A) | 6.05 |
| (a)(1)(B) | 6.04 |
| (a)(2) | N.A. |
| (b) | 6.07 |
| (c) | 9.04 |
| 317(a)(1) | 6.08 |
| (a)(2) | 6.09 |
| (b) | 2.04 |
| 318(a) | 10.01 |

N.A. means "not applicable."

* This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.



G-I_EPA0009455

TABLE OF CONTENTS


Page

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions..... 1
SECTION 1.02. Incorporation by Reference of Trust Indenture Act..... 26
SECTION 1.03. Rules of Construction..... 26

ARTICLE II

THE NOTES

SECTION 2.01. Form and Dating..... 27
SECTION 2.02. Execution and Authentication; Aggregate Principal Amount..... 27
SECTION 2.03. Registrar and Paying Agent..... 29
SECTION 2.04. Paying Agent To Hold Money in Trust..... 29
SECTION 2.05. Holder Lists..... 30
SECTION 2.06. Transfer and Exchange..... 30
SECTION 2.07. Replacement Notes..... 32
SECTION 2.08. Outstanding Notes..... 32
SECTION 2.09. Treasury Notes..... 33
SECTION 2.10. Temporary Notes..... 33
SECTION 2.11. Cancellation..... 33
SECTION 2.12. Defaulted Interest..... 33
SECTION 2.13. CUSIP Number..... 34
SECTION 2.14. Deposit of Moneys..... 34

ARTICLE III

REDEMPTION

SECTION 3.01. Notices to Trustee..... 34
SECTION 3.02. Selection of Notes To Be Redeemed..... 35
SECTION 3.03. Notice of Redemption..... 35
SECTION 3.04. Effect of Notice of Redemption..... 36
SECTION 3.05. Deposit of Redemption Price..... 36
SECTION 3.06. Notes Redeemed in Part..... 36




G-I_EPA0009456

ARTICLE IV

COVENANTS


| | | |
|---|---|---|
| SECTION 4.01. | Payment of Notes | 37 |
| SECTION 4.02. | Maintenance of Office or Agency | 37 |
| SECTION 4.03. | Corporate Existence | 38 |
| SECTION 4.04. | Payment of Taxes and Other Claims | 38 |
| SECTION 4.05. | Compliance Certificates | 38 |
| SECTION 4.06. | Securities and Exchange Commission Reports | 39 |
| SECTION 4.07. | Waiver of Stay, Extension or Usury Laws | 40 |
| SECTION 4.08. | Maintenance of Properties | 40 |
| SECTION 4.09. | Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries | 41 |
| SECTION 4.10. | Limitation on Debt and Preferred Stock of BMCA Subsidiaries | 43 |
| SECTION 4.11. | Limitation on Debt and Preferred Stock of Specified Subsidiaries | 44 |
| SECTION 4.12. | Prohibition on Debt and Capital Stock of Intermediate Parents of ISP and BMCA | 45 |
| SECTION 4.13. | Limitation on Restricted Payments and Restricted Investments | 46 |
| SECTION 4.14. | Limitation on Liens | 48 |
| SECTION 4.15. | Prohibition on Certain Transactions | 49 |
| SECTION 4.16. | Limitation on Transactions with Affiliates | 50 |
| SECTION 4.17. | Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries and BMCA Subsidiaries | 52 |
| SECTION 4.18. | Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries | 52 |
| SECTION 4.19. | Change of Control | 54 |
| SECTION 4.20. | Limitation on Asset Sales | 56 |
| SECTION 4.21. | Investment Company Act | 59 |
| SECTION 4.22. | Consents, etc | 59 |
| SECTION 4.23. | Registration Rights | 60 |
| SECTION 4.24. | Spin Off | 60 |




G-I_EPA0009457

## ARTICLE V

## SUCCESSOR CORPORATION


| | | |
|---|---|---|
| SECTION 5.01. | When the Company May Merge, etc..... | 60 |
| SECTION 5.02. | Successor Corporation Substituted..... | 61 |


ARTICLE VI

DEFAULTS AND REMEDIES


| | | |
|---|---|---|
| SECTION 6.01. | Events of Default..... | 61 |
| SECTION 6.02. | Acceleration..... | 63 |
| SECTION 6.03. | Other Remedies..... | 64 |
| SECTION 6.04. | Waiver of Past Defaults..... | 64 |
| SECTION 6.05. | Control by Majority..... | 64 |
| SECTION 6.06. | Limitation on Remedies..... | 64 |
| SECTION 6.07. | Rights of Holders To Receive Payment..... | 65 |
| SECTION 6.08. | Collection Suit by Trustee..... | 65 |
| SECTION 6.09. | Trustee May File Proofs of Claim..... | 65 |
| SECTION 6.10. | Priorities..... | 66 |
| SECTION 6.11. | Undertaking for Costs..... | 66 |
| SECTION 6.12. | Restoration of Rights and Remedies..... | 67 |


ARTICLE VII

TRUSTEE


| | | |
|---|---|---|
| SECTION 7.01. | Rights of Trustee..... | 67 |
| SECTION 7.02. | Individual Rights of Trustee..... | 68 |
| SECTION 7.03. | Money Held in Trust..... | 68 |
| SECTION 7.04. | Trustee's Disclaimer..... | 68 |
| SECTION 7.05. | Notice of Defaults..... | 68 |
| SECTION 7.06. | Reports by Trustee to Holders..... | 69 |
| SECTION 7.07. | Compensation and Indemnity..... | 69 |
| SECTION 7.08. | Replacement of Trustee..... | 70 |
| SECTION 7.09. | Successor Trustee by Merger, etc..... | 71 |
| SECTION 7.10. | Eligibility; Disqualification..... | 72 |
| SECTION 7.11. | Preferential Collection of Claims Against the Company..... | 72 |
| SECTION 7.12. | Duties of Trustee..... | 72 |




G-I_EPA0009458

## ARTICLE VIII

## DISCHARGE OF INDENTURE; DEFEASANCE


| | | |
|---|---|---|
| SECTION 8.01. | Discharge of Liability on Notes; Defeasance | 73 |
| SECTION 8.02. | Conditions to Defeasance | 74 |
| SECTION 8.03. | Application of Trust Money | 76 |
| SECTION 8.04. | Repayment to Company | 76 |
| SECTION 8.05. | Indemnity for Government Obligations | 76 |
| SECTION 8.06. | Reinstatement | 76 |


ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS


| | | |
|---|---|---|
| SECTION 9.01. | Without Consent of Holders | 77 |
| SECTION 9.02. | With Consent of Holders | 77 |
| SECTION 9.03. | Revocation and Effect of Consents | 79 |
| SECTION 9.04. | Record Date | 80 |
| SECTION 9.05. | Notation on or Exchange of Notes | 80 |
| SECTION 9.06. | Trustee May Sign Amendments, etc | 80 |


ARTICLE X

MISCELLANEOUS


| | | |
|---|---|---|
| SECTION 10.01. | Trust Indenture Act of 1939 | 80 |
| SECTION 10.02. | Notices | 81 |
| SECTION 10.03. | Communication by Holders with Other Holders | 81 |
| SECTION 10.04. | Certificate and Opinion as to Conditions Precedent | 81 |
| SECTION 10.05. | Statements Required in Certificate or Opinion | 82 |
| SECTION 10.06. | Rules by Trustee, Paying Agent, Registrar | 82 |
| SECTION 10.07. | Governing Law | 82 |
| SECTION 10.08. | No Interpretation of Other Agreements | 83 |
| SECTION 10.09. | No Recourse Against Others | 83 |
| SECTION 10.10. | Legal Holidays | 83 |
| SECTION 10.11. | Successors | 83 |
| SECTION 10.12. | Duplicate Originals | 83 |
| SECTION 10.13. | Separability | 83 |




G-I_EPA0009459

SECTION 10.14. Table of Contents, Headings, etc..... 83
SECTION 10.15. Benefits of Indenture..... 84

SIGNATURES..... 85

**EXHIBITS**

EXHIBIT A -- Form of Initial Note..... A-1
EXHIBIT B -- Form of Exchange Note..... B-1
EXHIBIT C -- Form of Legend for Book-Entry
Securities..... C-1

SCHEDULES

Schedule A -- Registration Rights



G-I_EPA0009460

INDENTURE, dated as of October 18, 1996, between ISP HOLDINGS INC. (the "Company"), a Delaware corporation, and THE BANK OF NEW YORK, a New York banking corporation (the "Trustee"), having its Corporate Trust Office at 101 Barclay Street, New York, New York 10286.

The parties agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of ISP Holdings' 9 3/4% Senior Notes due 2002 (the "Initial Notes") and Series B 9 3/4% Senior Notes due 2002 (the "Exchange Notes"):

## ARTICLE I

## DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

"10% Notes" means the Series B 10% Senior Notes due 2006 of G-I Holdings.

"Acquired Debt", with respect to any Person, means
(i) Debt (including any then unutilized commitment under any revolving working capital facility) of an entity, which entity is acquired by such Person or any of its Subsidiaries after the Issue Date; provided that such Debt (including any such facility) is outstanding at the time of the acquisition of such entity, is not created in contemplation of such acquisition and is not, directly or indirectly, recourse (including by way of set-off) to such Person or its Subsidiaries or any of their respective assets other than to the entity and its Subsidiaries so acquired and the assets of the entity and its Subsidiaries so acquired, (ii) Debt of such Person that is not, directly or indirectly, recourse (including by way of set-off) to such Person and its Subsidiaries or any of their respective assets other than to specified assets acquired by such Person or its Subsidiaries after the Issue Date, which Debt is outstanding at the time of the acquisition of such assets and is not created in contemplation of such acquisition, or (iii) Refinancings of Debt described in clauses (i) or (ii), provided that the recourse with respect to such Refinancing Debt is limited to the same extent as the Debt so Refinanced.

"Additional Interest" means all additional interest owing under the Registration Rights Agreement.

"Affiliate" of any specified Person means any other

Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" having meanings correlative to the foregoing. For the avoidance of doubt, GAF and its Affiliates (so long as they are under common control with the Company) shall, both before and after the Spin Off, be deemed to be Affiliates of the Company.

"Agent" means any Registrar, Paying Agent or co- Registrar of the Notes.

"Applicable Date" has the meaning set forth in
Section 4.13(a)(3).

"Applicable Premium" means, with respect to any Note, the greater of (x) 1.0% of the principal amount of such Note and (y) the excess, if any, of (a) the present value of the required remaining interest payments, principal and future optional redemption premium (if applicable) of such Note, discounted on a semi-annual bond equivalent basis from either the maturity date of the Note or the optional redemption date to the applicable redemption date at a per annum interest rate equal to the Treasury Yield for such redemption date plus 100 basis points, over (b) the sum of the principal amount of such Note plus accrued and unpaid interest to the redemption date.

"Asset Sale" means, with respect to any Person, the sale, lease, assignment or other disposition (including, without limitation, dispositions pursuant to any consolidation, merger or sale and leaseback transaction) by such Person or any of its Subsidiaries in any single transaction or series of related transactions of (x) any Capital Stock of any Subsidiary of such Person or (y) all or substantially all of the properties and assets of any division or line of business of such Person or any of its Recourse Subsidiaries, in either case, other than (i) by the Company or any of its Post-Spin Off Subsidiaries to the Company or any of its Post-Spin Off Subsidiaries, (ii) by G-I Holdings or any of its Post-Spin Off Subsidiaries to G-I Holdings or any of its Post-Spin Off Subsidiaries and (iii) after the Determination Date, by the Company or any of its Subsidiaries to the Company or any of its Subsidiaries. For the purposes of this definition, the term "Asset Sale" shall not include (A) any sale, lease, assignment or other disposition of properties or assets that is governed by Section 5.01, (B) any sale, lease, assignment or other

disposition by a Person that has outstanding Long-Term Debt all

of which (x) are rated BBB- or higher by S&P and are not on credit watch by S&P for a possible downgrade below BBB- or (y) are rated Baa3 or higher by Moody's and are not on credit watch by Moody's for a possible downgrade below Baa3, (C) any sale of Common Stock the proceeds of which are used pursuant to the provisions described in the first paragraph of Section 5(a) of the Notes or (D) prior to the Spin Off, the retirement, liquidation, redemption or extinguishment of the indirect interest of the Company and its Subsidiaries in Rhone-Poulenc Surfactants and Specialties L.P.

"Average Life" means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from the date of the transaction or event giving rise to the need to calculate the Average Life of such Debt to the date, or dates, of each successive scheduled principal payment of such Debt multiplied by (b) the amount of each such principal payment by (ii) the sum of all such principal payments.

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

"BMCA" means Building Materials Corporation of America, a Delaware corporation, and its successors.

"BMCA Subsidiaries" means BMCA and its Subsidiaries.

"Board of Directors" of any Person means the Board of Directors or similar governing body of such Person, or any duly authorized committee of such Board of Directors or similar governing body.

"Board Resolution" means, with respect to the Board of Directors of any Person, a copy of a resolution certified by the Secretary or Assistant Secretary of such Person to have been duly adopted by such Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Book-Entry Note" means a Note represented by a Global Note and registered in the name of the Depository or a nominee of the Depository.

"Business Day" means a day that is not a Legal Holiday.

"Capitalized Lease Obligation" means any rental

obligation that, in accordance with GAAP, is required to be classified and accounted for as a capitalized lease and the amount of Debt represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due in respect of such obligation.

"Capital Stock" of any Person means any and all shares, interests (including partnership interests), warrants, rights, options or other interests, participations or other equivalents of or interests in (however designated) equity of such Person, including Common Stock or Preferred Stock, whether now outstanding or issued after the Issue Date, but excluding any debt securities convertible into or exchangeable for such equity.

"Cash Equivalents" means (i) marketable direct obligations Issued by, or unconditionally Guaranteed by, the United States Government or Issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations Issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (iv) certificates of deposit or bankers' acceptances maturing no more than one year from the date of acquisition thereof Issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital surplus of not less than $250,000,000, (v) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above and
(vi) investments in money market funds having assets in excess of $500,000,000 and which invest substantially all their assets in securities of the types described in clauses (i) through (v) above.

"Change of Control" means the occurrence of any of the following events:

(i) prior to the first public offering of Voting

Stock of the Company, the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of majority voting power of the Voting Stock of the Company, whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (i) and clauses
(ii) and (iv) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the "specified corporation") held by any other corporation (the "parent corporation") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, a majority of the Voting Stock of the parent corporation);

(ii) any "Person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (i) above, except that a Person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the Voting Stock of the Company, but only if Permitted Holders beneficially own (as defined in clause (i) above), directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;

(iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or its predecessor (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company or its predecessor was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

(iv) either (x) the Permitted Holders or (y) the Company ceases, for any reason, to be the beneficial owner

(as defined in clause (i) above), directly or indirectly,

of majority voting power of the Voting Stock of ISP, whether as a result of issuance of securities, any merger, consolidation, liquidation or dissolution, any direct or indirect transfer of securities by any Permitted Holder or otherwise.

"Change of Control Notice" has the meaning specified in Section 4.19(b).

"Change of Control Payment Date" has the meaning set forth in Section 4.19(a).

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

"Common Stock" of any Person means any and all shares, interests, participations, or other equivalents (however designated) of such Person's common stock whether now outstanding or issued after the Issue Date.

"Consolidated EBITDA Coverage Ratio" means, with respect to any Person, for any period, the ratio of (i) EBITDA of such Person for such period to (ii) Consolidated Interest Expense of such Person for such period; provided, however, that (A) if such Person or any of its Subsidiaries has Issued any Debt or Capital Stock since the beginning of such period that remains outstanding on the date such calculation is made or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an Issuance of Debt or Capital Stock, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect, on a pro forma basis, to the issuance of such Debt or Capital Stock as if such Debt or Capital Stock had been Issued on the first day of such period and the discharge of any other Debt or Capital Stock Refinanced or otherwise discharged with the proceeds of such new Debt or Capital Stock as if such discharge had occurred on the first day of such period; (B) if since the beginning of such period such Person or any of its Subsidiaries shall have made any asset sale out of the ordinary course of business, EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such asset sale for such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall

be reduced by an amount equal to the Consolidated Interest

Expense directly attributable to any Debt or Capital Stock of such Person or any Subsidiary of such Person and the amount of any other Debt or Capital Stock Refinanced or otherwise discharged with respect to such Person and its continuing Subsidiaries (including as a result of the assumption of such Debt or Capital Stock by the purchaser of such assets, provided that such Person or any of its Subsidiaries is no longer liable therefor) in connection with such Asset Sale for such period (or if the Capital Stock of any Subsidiary of such Person is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent such Person and its continuing Subsidiaries are no longer liable for such Debt after such sale) (it being understood that the Spin Off shall be considered an Asset Sale outside of the ordinary course of business for purposes of this clause (B)); and (C) if since the beginning of the period such Person or any of its Subsidiaries (by merger or otherwise) shall have made an Investment in any Subsidiary of such Person (or any Person which becomes a Subsidiary of such Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Person with respect to which the calculation is being made. If any Debt or Capital Stock bears a floating rate of interest or dividends and is being given pro forma effect, the interest on such Debt and the dividends on such Capital Stock shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.

"Consolidated Interest Expense" means with respect to any Person, for any period, the sum of (a) the interest expense of such Person and its consolidated Subsidiaries (other than interest expense related to Non-Recourse Debt) for such period as determined in accordance with GAAP consistently applied, plus (b) the product of (x) the amount of all dividends paid or accrued on any series of preferred stock of such Person (other than non-Redeemable Stock) and its Recourse Subsidiaries times
(y) a fraction, the numerator of which is one and the denominator of which is one minus the effective combined consolidated federal, state and local tax rate of such Person, expressed as a decimal.

"Consolidated Net Income (Loss)" means with respect

to any Person, for any period, the consolidated net income (or loss) of such Person and its consolidated Subsidiaries for such period as determined in accordance with GAAP, adjusted to the extent included in calculating such net income (or loss), by excluding (i) all extraordinary gains in such period net of all extraordinary losses in such period; (ii) net income (or loss) of any other Person attributable to any period prior to the date of combination of such other Person with such Person or any of its Subsidiaries on a "pooling of interests" basis; (iii) net gains or losses in respect of dispositions of assets by such Person or any of its Subsidiaries (including pursuant to a sale-and-leaseback arrangement) other than in the ordinary course of business; (iv) the net income (loss) of any Subsidiary of such Person (other than, in calculating the consolidated net income (loss) of the Company, the consolidated net income (loss) of ISP, USI or BMCA) to the extent that the declaration of dividends or distributions by that Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Subsidiary or its shareholders; (v) the net income (or net loss) of any other Person that is not a Subsidiary of the first Person with respect to which Consolidated Net Income is being calculated (the "first Person") and in which any other Person (other than such first Person and or any of its Subsidiaries) has an equity interest or of a Non-Recourse Subsidiary of such first Person, except to the extent of the amount of dividends or other distributions actually paid or made to such first Person or any of its Subsidiaries by such other Person during such period (subject in the case of a dividend or distribution received by a Subsidiary of such first Person, to the limitations contained in clause (iv) above); (vi) any interest income resulting from loans or investments in Affiliates, other than cash interest income actually received; (vii) charges relating to the Transactions or the offering of the 10% Senior Notes and Series B 10% Senior Notes due 2006 of G-I Holdings; and (viii) the cumulative effect of a change in accounting principles.

"Consolidated Net Worth" of any Person means, at any date, all amounts that would, in conformity with GAAP, be included under shareholders' equity on a consolidated balance sheet of such Person as at such date less (to the extent otherwise included therein) any amounts attributable to Redeemable Stock.

"Credit Agreement" means the credit agreement dated as of July 26, 1996, among ISP, certain of its Subsidiaries,

the financial institutions named therein and Chase Manhattan

Bank, as agent thereunder, as the same may be amended or supplemented.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

"Debt" of any Person means, without duplication,
(i) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable (other than those payable to government agencies to defer the payment of workers' compensation liabilities, taxes, assessments or other obligations, and provided in the ordinary course of business of such Person); (ii) all Capital Lease Obligations of such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and
(vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured. For purposes of Section 4.20, Debt of the Company (prior to the Spin Off) and any BMCA Subsidiary shall include the provision for existing or future asbestos-related bodily injury claims, as set forth in the then most recent consolidated financial statement of the Company.

"Default" means any event which is, or after notice

or passage of time or both would be, an Event of Default.

"Depository" means, with respect to the Notes issued in the form of one or more Book-Entry Notes, The Depository Trust Company or another person designated as Depository by the Company, which must be a clearing agency registered under the Exchange Act.

"Determination Date" means the date (if any) on which the Company delivers a notice to the Trustee that the Board of Directors of the Company has determined not to effect the Spin Off, which notice shall be irrevocable and include a copy of the Board Resolution of such Board of Directors making such determination.

"Discount Notes" has the meaning set forth in
Section 4.20(a)(3).

"EBITDA" means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period, adjusted to the extent deducted in calculating such Consolidated Net Income by adding back (without duplication):
(i) income tax expense of such Person and its Subsidiaries accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary items or other items excluded from the definition of Consolidated Net Income),
(ii) Consolidated Interest Expense of such Person,
(iii) depreciation expense, (iv) amortization expense and (v) minority interest in any Recourse Subsidiary that is not a Wholly Owned Subsidiary but is otherwise consolidated in the financial statements of such Person, but only so long as such Subsidiary is consolidated with such Person for such period for U.S. federal income tax purposes.

"Events of Default" has the meaning set forth in
Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission thereunder.

"Exchange Notes" has the meaning assigned to that term in the preambles to this Indenture.

"Exchange Offer" means the registration by the Company under the Securities Act pursuant to a registration statement of the offer by the Company to each Holder of the Initial Notes to exchange all the Initial Notes held by such Holder for the Exchange Notes in an aggregate principal amount

equal to the aggregate principal amount of the Initial Notes

held by such Holder, all in accordance with the terms and conditions of the Registration Rights Agreement.

"Exchange Offer Circular" means the Exchange Offer Circular and Consent Solicitation Statement dated September 13, 1996, as supplemented through the Issue Date.

"Existing Management Agreement" means the Amended and Restated Management Agreement dated as of March 3, 1992 by and among GAF and certain of its Subsidiaries as amended through the Issue Date.

"G-I Holdings" means G-I Holdings Inc., a Delaware corporation, and its successors.

"Generally Accepted Accounting Principles" or "GAAP" means generally acceptable accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

"GAF" means GAF Corporation, a Delaware corporation, and its successors.

"Global Note" means a Note evidencing all or a part of the Notes to be issued as Book-Entry Notes, issued to the Depository in accordance with Section 2.02 and bearing the legend prescribed in Exhibit C.

"Granules Contracts" means (i) the Supply Agreement dated as of January 1, 1995 between ISP Technologies Inc. and BCMA, as amended by amendment dated as of December 31, 1995 and
(ii) the letter dated November 9, 1995 from ISP Mineral Products Inc. to USI.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation, contingent or otherwise, of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of participation arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring the obligee of such Debt or other obligation in any

other manner of the payment thereof or to protect such obligee

against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means the Person in whose name a Note is registered on the Registrar's books.

"Incur" means incur, create, assume, Guarantee or otherwise become liable; and the terms "incurred" and "incurrence" having meanings correlative to the foregoing.

"Indemnification Agreement" means the indemnification agreement dated as of the Issue Date among GAF and certain of its Subsidiaries.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Initial Notes" has the meaning assigned to that term in the preamble to this Indenture.

"Initial Notes Amount" has the meaning set forth in
Section 2.02.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

"Investment" means any direct or indirect advance, loan (other than advances or loans to customers in the ordinary course of business, which are recorded, in accordance with GAAP, at the time made as accounts receivable on the balance sheet of the Person making such advance or loan) or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities Issued by, any other Person.

"ISP" means International Specialty Products Inc., a Delaware corporation, and its successors.

"ISP Holdings Transactions" means the transactions described in the Exchange Offer Circular under the heading "The ISP Holdings Transactions," including the offering of the New Money Notes, substantially on the terms described therein.

"ISP Subsidiaries" means ISP and its Subsidiaries.

"Issue" means issue, assume, Guarantee, incur or

otherwise become liable for; provided, however, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Issued by such Subsidiary at the time it becomes a Subsidiary of such other Person.

"Issue Date" means October [18], 1996, the date of original issuance of the Initial Notes.

"Legal Holiday" has the meaning set forth in
Section 10.10.

"Lien" means any lien, mortgage, charge, pledge, security interest, or other encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

"Linden Dividend" means the payment of a dividend or distribution in respect of the Company's Common Stock of the assets comprising the Linden Property or of the shares of Capital Stock of a Subsidiary of the Company all or substantially all of the assets of which consist of the Linden Property.

"Linden Property" means that property consisting of approximately 140 acres (40 acres developed) located in Union County, New Jersey at the foot of South Wood Avenue, Linden and owned by ISP Environmental Services Inc., which is the site of a former chemicals manufacturing facility of ISP.

"Long-Term Debt" of any Person means outstanding long-term debt securities of such Person (or, in the event that such Person has no outstanding long-term debt securities, a credit facility of such Person) that (i) is unsecured, (ii) not subordinated in right of payment to any other Debt of such Person and (iii) is not guaranteed and does not have credit support provided by any other Person (other than, in the case of Long-Term Debt of any ISP Subsidiary, any ISP Subsidiary).

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents, received by the Company or any of its Subsidiaries from such Asset Sale net of (a) reasonable out-of-pocket expenses and fees relating

to such Asset Sale (including, without limitation, legal,

accounting and investment banking fees and sales commissions),
(b) taxes paid or payable ((1) including, without limitation, income taxes reasonably estimated to be actually payable as a result of any disposition of property within two years of the date of disposition, including under any tax sharing arrangements, and (2) after taking into account any reduction in tax liability due to available tax credits or deductions applicable to the transaction), (c) a reasonable reserve for the after-tax cost of any indemnification obligations (fixed and/or contingent) attributable to seller's indemnities to the purchaser undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale and (d) repayment of Debt that is required to be repaid in connection with such Asset Sale, under agreements governing such Debt or Asset Sale.

"Net Proceeds Offer" shall have the meaning provided in Section 4.20.

"New Management Agreement" means the Existing Management Agreement as amended to add the Company as a party thereto.

"New Money Notes" means the 9% Senior Notes due 2003, the Senior B 9% Senior Notes due 2003 and the 9% Private Exchange Senior Notes due 2003 of the Company.

"Non-Recourse Debt" of any Person means Debt or the portion of Debt (i) as to which neither GAF, the Company nor any of its Recourse Subsidiaries (A) provides credit support (including any undertaking, agreement or instrument which would constitute Debt), (B) is directly or indirectly liable or (C) constitutes the lender and (ii) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against the assets of a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of such Person or its Recourse Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Non-Recourse Subsidiary" of any Person means a Subsidiary (A) which has been designated as such by the Board of Directors of such Person, (B) which has not acquired any assets directly or indirectly from GAF, the Company or any of its Subsidiaries other than at fair market value, including by the receipt of Capital Stock of such Non-Recourse Subsidiary, provided, however, that if any such acquisition or series of related acquisitions involves assets having a value in excess of $2,000,000, such acquisition or series of related

acquisitions shall be approved by a majority of the members of

the Board of Directors of the Company in a Board Resolution which shall set forth that such acquisitions are being, or have been, made at fair market value, and (C) which has no Debt other than Non-Recourse Debt. Subsidiaries of Non-Recourse Subsidiaries shall be deemed Non-Recourse Subsidiaries.

"Notes" means the Initial Notes and the Exchange Notes treated as a single class of securities.

"Obligations" means (a) the full and punctual payment of the principal of, and interest on, the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under this Indenture and the Notes and (b) the full and punctual performance of all other obligations of the Company under this Indenture and the Notes.

"Officer" of any corporation means the Chairman of the Board, the President, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary or the Controller of such corporation.

"Officers' Certificate" of any corporation means a certificate signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of such corporation and delivered to the Trustee and which complies with
Section 10.05.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee and which complies with Section 10.05. Such legal counsel may be an employee of or counsel to the Company or its Affiliates.

"Paying Agent" has the meaning set forth in Sec- tion 2.03, except that, for the purposes of Article VIII and Sections 4.19 and 4.20, the Paying Agent shall not be the Company or a Subsidiary of the Company or an Affiliate of any thereof.

"Permitted Holders" means (i) Samuel J. Heyman, his heirs, administrators, executors and entities of which a majority of the Voting Stock is owned by Samuel J. Heyman, his heirs, administrators or executors and (ii) any Person controlled, directly or indirectly, by Samuel J. Heyman or his heirs, administrators or executors.

"Permitted Lien" means:

(1) Liens for taxes, assessments and governmental charges to the extent not required to be paid under this Indenture;

(2) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by an appropriate process of law, and for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(3) pledges or deposits in the ordinary course of business to secure lease obligations or non-delinquent obligations under workers' compensation, unemployment insurance or similar legislation;

(4) Liens to secure the performance of public statutory obligations that are not delinquent, appeal bonds, performance bonds or other obligations of a like nature (other than for borrowed money);

(5) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole;

(6) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of nondelinquent customs duties in connection with the importation of goods;

(7) judgment and attachment Liens not giving rise to a Default or Event of Default;

(8) leases or subleases granted to others not interfering in any material respect with the business of the Company and its Subsidiaries, taken as a whole;

(9) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(10) any interest or title of a lessor in the

property subject to any lease, whether characterized as capitalized or operating other than any such interest or title resulting from or arising out of default by the Company or any of its Subsidiaries of its obligations under any such lease which is material;

(11) Liens arising from filing UCC financing statements for precautionary purposes in connection with true leases or conditional sales of personal property that are otherwise permitted under this Indenture and under which the Company or any of its Subsidiaries is lessee;

(12) broker's Liens securing the payment of commissions and management fees in the ordinary course of business;

(13) Liens on cash and Cash Equivalents posted as margin pursuant to the requirements of any bona fide hedge agreement relating to interest rates, foreign exchange or commodities listed on public exchanges, but only to the extent such Liens are required from customers generally (regardless of creditworthiness) in accordance with customary market practice;

(14) Liens on cash collateralizing reimbursement obligations in respect of letters of credit issued for the account of the Company or any of its Subsidiaries in the ordinary course of business (other than letters of credit issued as credit support for any Debt);

(15) Liens arising in respect of accounts receivable arising as a result of non-recourse sales thereof;

(16) Liens arising by reason of consignment sales of inventory in the ordinary course of business; and

(17) Liens on stock or assets of any Non-Recourse Subsidiary securing Debt owing by such Non-Recourse Subsidiary.

"Person" means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Post-Spin Off Subsidiary" of any Person means any Subsidiary of such Person after giving effect to the Spin Off.

"Preferred Stock", as applied to the Capital Stock of

any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation. Preferred Stock of any Person shall include Redeemable Stock of such Person.

"Principal" of a debt security, including the Notes, means the principal of such security plus, when appropriate, the premium, if any, on such security.

"Principal Amount at Maturity" of a security means the amount specified as such on the face of such security.

"Proceeds Purchase Date" shall have the meaning provided in Section 4.20.

"Purchase Money Obligation" of any Person means any Debt secured by a Lien on assets related to the business of such Person, and any additions and accessions thereto or replacements thereof, which are purchased or constructed by such Person at any time after the Issue Date; provided, however, that (i) the aggregate outstanding principal amount of such Debt (determined on a per asset basis in the case of any additions, accessions or replacements) shall not at any time exceed 100% of the purchase price to such Person of the related assets or (ii) such Debt shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto or replacements thereof and any proceeds therefrom.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Ratings Event" means any of the following:

(i) the rating of ISP's Long-Term Debt being below Baa3 (in the case of the rating by Moody's) and below BB+ (in the case of the rating by S&P); or

(ii) at any time that ISP's Long-Term Debt is rated below Baa3 by Moody's, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below BB+ by S&P; or

(iii) at any time that ISP's Long-Term Debt is rated below BB+ by S&P, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below Baa3 by Moody's.

"Recourse Subsidiaries", of any Person, means all

Subsidiaries of such Person other than Non-Recourse Subsidiaries of such Person.

"Redeemable Stock" means, with respect to any Person, Capital Stock of such Person that by its terms or otherwise
(x) is required, directly or indirectly, to be redeemed on or prior to the ninetieth day after the Stated Maturity of the Notes, (y) is redeemable or puttable, directly or indirectly, at the option of the holder thereof at any time on or prior to the ninetieth day after the Stated Maturity of the Notes, or
(z) is exchangeable or convertible into another security (other than a security that is not itself Redeemable Stock).

"Refinance" means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Debt in exchange or replacement for, such Debt. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Debt" means Debt Issued to Refinance any other Debt; provided, however, that (i) the amount of the Debt so Issued shall not exceed the principal amount or the accreted value (in the case of Debt Issued at a discount) of the Debt so Refinanced plus, in each case, the reasonable costs incurred by the issuer in connection with such Refinancing, (ii) the Average Life and Stated Maturity of the Debt so Issued shall equal or exceed that of the Debt so Refinanced, (iii) the Debt so Issued shall not rank senior in right of payment to the Debt being Refinanced, (iv) if the Debt being Refinanced does not bear interest in cash prior to a specified date, the Refinancing Debt shall not bear interest in cash prior to such specified date, (v) if the Debt being Refinanced is a Purchase Money Obligation, Refinancing Debt shall not be secured by any assets not securing the Debt so Refinanced or improvements or additions thereto, or replacements thereof, and (vi) the obligors with respect to the Refinancing Debt shall not include any persons who were not obligors (including predecessors thereof) with respect to the Debt being Refinanced.

"Registrar" has the meaning set forth in
Section 2.03.

"Registration Rights Agreement" means the agreement of the Company set forth on Schedule A hereto.

"Restricted Investment" means, with respect to the Company or any of its Subsidiaries, an Investment by such Person in an Affiliate of the Company; provided, however, that the following shall not be Restricted Investments:

(a) any Investment by the Company or any ISP Subsidiary

(or on and after the Determination Date, any Subsidiary of the Company) in any Unrestricted Affiliate;

(b) prior to the Determination Date:

(i) any Investment by the Company or any of its Post-Spin Off Subsidiaries in (x) the Company or any of its Post-Spin Off Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of any Post-Spin Off Recourse Subsidiary of the Company; and

(ii) any Investment by G-I Holdings or any of its Post-Spin Off Subsidiaries in (x) G-I Holdings or any of its Post-Spin Off Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of any Post-Spin Off Recourse Subsidiary of G-I Holdings;

(c) prior to the Spin Off, loans and advances bearing market rates of interest between the Company and any of its Subsidiaries or between or among Subsidiaries of the Company so long as such loans and advances, if they are not permitted under clause (b)(i) or (ii), are repaid in full in cash at the consummation of the Spin Off; and

(d) on and after the Determination Date:

(i) any Investment in the Company or any of its Recourse Subsidiaries; and

(ii) any Investment in any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of the Company.

"Restricted Payment" means (i) the declaration or making of any dividend or of any other payment or distribution (other than dividends, payments or distributions payable solely in shares of the Company's Capital Stock other than Redeemable Stock) on or with respect to the Company's Capital Stock (other than Redeemable Stock) and (ii) any payment on account of the purchase, redemption, retirement or other acquisition for value of the Company's Capital Stock (other than Redeemable Stock); provided, however, that the Linden Dividend shall not be deemed to be a Restricted Payment.

"Restricted Security" has the meaning set forth in

**Rule 144(a)(3) under the Securities Act.**

"S&P" means Standard & Poor's Rating Services or its successor.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission thereunder.

"Shelf Registration Statement" means the shelf registration statement, which the Company will use its best efforts to cause to become effective with respect to the resale of the Initial Notes in the event that the Exchange Offer is not completed, pursuant to the terms of the Registration Rights Agreement.

"Significant Subsidiary" means (i) any Recourse Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 5% of the Company's total assets on a consolidated basis as of such date, in each case determined in accordance with GAAP, or (B) had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 5% of the Company's total revenues on a consolidated basis for such period, or (ii) any Recourse Subsidiary of the Company which, if merged with all Defaulting Subsidiaries (as defined below) of the Company, would at the time of determination either (A) have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with GAAP). "Defaulting Subsidiary" means any Recourse Subsidiary of the Company with respect to which an event described under clause (6), (7), or
(8) of Section 6.01 has occurred and is continuing.

"Specified Agreements" means (i) the Tax Sharing Agreements (but, after a company leaves the applicable consolidated group, only with respect to the indemnities that survive thereunder), (ii) the Existing Management Agreement and the New Management Agreement, (iii) the Granules Contracts and
(iv) the Indemnification Agreement and other similar indemnification agreements in effect prior to the Issue Date.

"Specified Subsidiaries" means Subsidiaries of the

Company other than (i) ISP Subsidiaries and (ii) BMCA Subsidiaries.

"Spin Off" means the consummation of the transactions described in items (1) through (9) in the first paragraph under the section of the Exchange Offer Circular entitled "The Spin Off Transactions," substantially on the terms described in such paragraph.

"Spin Off Date" means the date on which the Spin Off is consummated.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and when used with respect to any other Debt, means the date specified in the instrument governing such Debt as the fixed date on which the principal of such Debt or any installment of interest is due and payable.

"Subsidiary" means, with respect to any Person at any time of determination, (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof has at least majority ownership interest and the power to direct the policies, management and affairs thereof. For purposes of this definition, any director's qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

"Tax Sharing Agreements" means, collectively, (i) the tax sharing agreement dated as of September 7, 1993, as amended on the Issue Date, among GAF, G-I Holdings, G Industries and the Company, (ii) the amended and restated tax sharing agreement dated as of March 3, 1992 among GAF, G Industries, ISP and certain of ISP's Subsidiaries, (iii) the tax sharing agreement among ISP Holdings and certain of its Subsidiaries, described in the Exchange Offer Circular under "Tax Sharing Agreements -- ISP Holdings Tax Sharing Agreement," and (iv) prior to the Spin Off, the tax sharing agreement dated as of January 31, 1994 among GAF, G-I Holdings, BMCA and BMCA's Subsidiaries.

"TIA" means the Trust Indenture Act of 1939, as

amended, as in effect on the date hereof.

"Transactions" means the Spin Off and the ISP Holdings Transactions.

"Treasury Yield" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the applicable redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining Average Life of the Notes; provided, however, that if the Average Life of the Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the average life of the Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trustee" means the party named as such in this Indenture until a successor replaces such party in accordance with the provisions of this Indenture, and thereafter means such successor.

"Trust Officer" means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Affiliate" means: (a) prior to the Determination Date, any Person (other than any Subsidiary of the Company) controlled (as defined in the definition of "Affiliate") by the Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) any director or officer of the Company or any of its Post-Spin off Subsidiaries (so long as such person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Post-Spin Off Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (iii) another Unrestricted Affiliate under this paragraph (a)) has an Investment; and (b) on and after the Determination Date, any Person (other than any Subsidiary of the Company)

controlled (as defined in the definition of "Affiliate") by the

Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) so long as BMCA is a Recourse Subsidiary of the Company, BMCA or any of its Wholly-Owned Recourse Subsidiaries, (iii) a Wholly-Owned Recourse Subsidiary of the Company, (iv) any director or officer of the Company or any of its Subsidiaries (so long as such Person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (v) another Unrestricted Affiliate under this paragraph (b)) has an Investment.

"U.S. Government Obligations" means money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged.

"USI" means U.S. Intec, Inc., a Texas corporation, and its successors.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind normally entitled to vote in the election of the board of directors or other governing body of such Person.

"Wholly-Owned Recourse Subsidiary" of any Person means a Wholly-Owned Subsidiary of such Person that is a Recourse Subsidiary of such Person.

"Wholly-Owned Subsidiary" means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the applicable corporation or another Wholly-Owned Subsidiary of the applicable corporation.

Section 1.02. Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security holder" means a Holder or a Holder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means

the Trustee; and

"obligor" on the indenture securities means the Company and any other obligor on the Notes.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule and not otherwise defined herein have the meanings assigned to them therein.

Section 1.03. Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) "or" is not exclusive;

(3) words in the singular include the plural, and words in the plural include the singular;

(4) provisions apply to successive events and transactions;

(5) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(6) all calculations made for the purpose of determining compliance with the terms of the covenants set forth in Article IV and other provisions of this Indenture shall utilize GAAP in effect at the time of preparation of, and in conformity with those used to prepare, the historical consolidated financial statements of the Company at and for the fiscal year ended December 31, 1995. All financial calculations shall be made as if the Spin Off occurred as of the Issue Date; provided, however, that if the Determination Date occurs, all subsequent financial calculations shall be made without giving effect to the Spin Off; provided, further, however, that, in such event, cumulative Consolidated Net Income for purposes of
Section 4.13(a) shall be recalculated from the Applicable Date without giving effect to the Spin Off.

## ARTICLE II

## THE NOTES

Section 2.01. Form and Dating. The Initial Notes and the Trustee's certificate of authentication thereon shall

be substantially in the form of Exhibit A hereto. The Exchange

Notes and the Trustee's certificate of authentication thereon shall be substantially in the form of Exhibit B. The Notes may have notations, legends or endorsements required by law, stock exchange rule or agreements to which the Company is subject, if any, or usage. The Company shall approve the form of the Notes and any notation, legend or endorsement on them, and such approval shall be evidenced by the execution of such Notes by two Officers of the Company. Each Note shall be dated the date of its authentication.

The terms and provisions contained in the form of the Notes, annexed hereto as Exhibits A and B, shall constitute, and are hereby expressly made, a part of this Indenture.

Section 2.02. Execution and Authentication; Aggregate Principal Amount. Two Officers shall sign the Notes for the Company by facsimile or manual signature. The Company's seal may be reproduced or imprinted on the Notes, by facsimile or otherwise.

If a Person whose signature is on a Note as an Officer no longer holds that office or position at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until the Trustee manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery (i) Initial Notes for original issue in an aggregate principal amount (the "Initial Notes Amount") equal to $1,000 principal amount of Initial Notes for each $1,000 principal amount of 10% Notes exchanged for the Initial Notes pursuant to the Exchange Offer Circular and Consent Solicitation Statement dated September 13, 1996, as supplemented by the Supplement to Exchange Offer Circular and Consent Solicitation Statement dated October 1, 1996 and (ii) Exchange Notes from time to time for issue only in exchange for a like principal amount of Initial Notes, in each case upon a written order of the Company signed by an Officer of the Company to a Trust Officer. The order shall specify the amount of Notes to be authenticated, the date on which the Notes are to be authenticated and whether the Notes are to be Initial Notes or Exchange Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the Initial Notes Amount, except as provided in
Section 2.07.

The Notes shall be issuable only in registered form

and only in denominations of $1,000 and any integral multiple thereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Notes, which authenticating agent shall be compensated by the Company. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so, except with regard to the original issuance of the Notes and pursuant to Section 2.06. Except as provided in the preceding sentence, each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Agent.

If the Notes are to be issued in the form of one or more Global Notes, then the Company shall execute and the Trustee shall authenticate and deliver one or more Global Notes that (i) shall represent and shall be in minimum denominations of $1,000 or in the approximate equivalent amount, (ii) shall be registered in the name of the Depository for such Global Note or Notes or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions and (iv) shall bear the legend set forth in Exhibit C.

Section 2.03. Registrar and Paying Agent. The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may have one or more co-Registrars and one or more additional Paying Agents. The term "Paying Agent" includes any additional Paying Agent.

The Company shall enter into an appropriate written agency agreement with any Agent not a party to this Indenture. Each such agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall give prompt written notice to the Trustee of the name and address of any such Agent and any change in the address of such Agent. The Company may change an Agent without prior notice to the Holders. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar and Paying Agent in connection with the Notes.

Section 2.04. Paying Agent To Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of Holders all money held by the Paying Agent for the payment of principal of or interest on the Notes, and such Paying Agent shall notify the Trustee of any default by the Company in making any such payment. If the Company or any of its Subsidiaries acts as Paying Agent, it shall segregate the money and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

Section 2.05. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA { 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders, and the Company shall otherwise comply with TIA { 312(a).

The Trustee shall be entitled to rely upon a certificate of the Registrar, the Company or such other Paying Agent, as the case may be, as to the names and addresses of the Holders and the principal amounts and serial numbers of the Notes.

Section 2.06. Transfer and Exchange. The Notes shall be issued in registered form and shall be transferable only upon the surrender of such Notes for registration of transfer. When Notes are presented to the Registrar or a co- Registrar with a request to register the transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument or transfer in a form satisfactory to the Company and the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations

of transfer and exchanges, the Company shall execute the Notes,

and the Trustee shall authenticate the Notes at the Registrar's request. No service charge to the Holder shall be made for any registration of transfer or exchange, but the Company or the Trustee may require from the transferring or exchanging Holder payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchanges pursuant to Sections 2.10, 4.19, 4.20 or 9.05). The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note
(i) during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Notes and ending at the close of business on the day of such mailing and
(ii) selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Note being redeemed in part.

If a Note is a Restricted Security in certificated form, then as provided in this Indenture and subject to the limitations herein set forth, the Holder, provided it is a Qualified Institutional Buyer, may exchange such Note for a Book-Entry Note by instructing the Trustee to arrange for such Note to be represented by a beneficial interest in a Global Note in accordance with the customary procedures of the Depository.

In accordance with the provisions of this Indenture and subject to certain limitations herein set forth, an owner of a beneficial interest in a Global Note which has not been exchanged for an Exchange Note may request a Note in certificated form, in exchange in whole or in part, as the case may be, for such beneficial owner's interest in the Global Note.

Upon any exchange provided for in the preceding paragraph, the Company shall execute and the Trustee shall authenticate and deliver to the person specified by the Depository a new Note or Notes registered in such names and in such authorized denominations as the Depository, pursuant to the instructions of the beneficial owner of the Notes requesting the exchange, shall instruct the Trustee. Thereupon, the beneficial ownership of such Global Note shown on the records maintained by the Depository or its nominee shall be reduced by the amounts so exchanged and an appropriate endorsement shall be made by or on behalf of the Trustee on the Global Note. Any such exchange shall be effected through the Depository in accordance with the procedures of the Depository therefor.

Notwithstanding the foregoing, no Global Note shall

be registered for transfer or exchange, or authenticated and delivered, whether pursuant to this Section, Section 2.07, 2.10 or 3.06 or otherwise, in the name of a person other than the Depository for such Global Note or its nominee until (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Note or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act, and a successor depository is not appointed by the Company within 30 days, (ii) the Company executes and delivers to the Trustee a written notice that all such Global Notes shall be exchangeable or (iii) there shall have occurred and be continuing an Event of Default. Upon the occurrence in respect of any Global Note representing the Notes of any one or more of the conditions specified in clause (i), (ii) or (iii) of the preceding sentence, such Global Note may be registered for transfer or exchange for Notes registered in the names of, and authenticated and delivered to, such persons as the Trustee or the Depository, as the case may be, shall direct.

Except as provided above, any Note authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, any Global Note, whether pursuant to this Section, Section 2.07, 2.10 or 3.06 or otherwise, shall also be a Global Note and bear the legend specified in Exhibit C.

Section 2.07. Replacement Notes. If a mutilated Note is surrendered to the Trustee or if the Holder of a Note claims that such Note has been lost, destroyed or wrongfully taken, the Company shall issue a replacement Note, and the Trustee shall authenticate such replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be provided by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee or any Agent from any loss which any of them may suffer if a Note is replaced. The Company or the Trustee may charge such Holder for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company.

Section 2.08. Outstanding Notes. Notes outstanding at any time are all Notes that have been authenticated by the Trustee, except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.08 as not outstanding. A Note does not cease to be outstanding because the Company or one of its Affiliates holds the Note.

If a Note is replaced pursuant to Section 2.07, it

ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the Paying Agent holds (or, if the Company or a Subsidiary is the Paying Agent, segregates and holds in trust), in accordance with this Indenture, on the maturity or redemption date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

Section 2.09. Treasury Notes. In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any of its Affiliates shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee actually knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes. Until definitive Notes are ready for delivery, the Company may prepare, and the Trustee shall authenticate upon written order of the Company signed by an Officer thereof, temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare, and the Trustee shall authenticate, definitive Notes in exchange for temporary Notes.

Until such exchange, such temporary Notes shall be entitled to the same rights, benefits and privileges as the definitive Notes.

Section 2.11. Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or cancellation. The Company may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest. If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons

who are Holders on a subsequent special record date. Such

special record date shall be the fifteenth day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a Business Day. At least 15 days before the special record date, the Company shall mail or cause to be mailed to each Holder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Section 2.13. CUSIP Number. The Company in issuing the Notes may use a "CUSIP" number. If so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP number.

Section 2.14. Deposit of Moneys. On or before 11:00 A.M., New York City time, on each payment date, the Company shall deposit with the Trustee or Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such payment date. The principal of and interest on Book-Entry Notes shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole holder of the Book-Entry Notes represented thereby. The principal of and interest on any Notes other than Book-Entry Notes shall be payable to the registered owner of the Notes represented thereby. The principal of and interest on Notes in certificated form shall be payable at the office of the Paying Agent; provided, however, that the Company, at its option, may pay interest by check by mailing such check to the Holder's registered address.

## ARTICLE III

## REDEMPTION

Section 3.01. Notices to Trustee. If the Company elects to redeem Notes pursuant to Section 5(a) of the Notes, it shall notify the Trustee in writing of the redemption date and the principal amount of Notes to be redeemed.

The Company shall give the notice to the Trustee provided for in this Section at least 45 days before the redemption date, unless the Trustee consents in writing to a shorter notice period. Such notice shall be accompanied by an

Officers' Certificate and an Opinion of Counsel to the effect

that such redemption will comply with the conditions contained in this Indenture and will set forth the redemption price. If fewer than all the Notes are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee together with the 45-day notice, which record date shall not be prior to the date of such notice nor more than 15 days after the date of notice to the Trustee.

Section 3.02. Selection of Notes To Be Redeemed. In the event that less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed or, if such Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided, however, that no Notes of a principal amount of $1,000 or less shall be redeemed in part; provided, further, that if a partial redemption is made in accordance with the first paragraph of Section 5(a) of the Notes, selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis or on as nearly a pro rata basis as is practicable (subject to procedures of The Depository Trust Company), unless such method is otherwise prohibited. The Trustee shall make the selection from outstanding Notes not previously called for redemption. The Trustee may select for redemption portions of the principal amount at maturity of Notes that have denominations larger than $1,000, subject to the restriction that Notes and portions of Notes which the Trustee selects shall be in amounts of $1,000 or a whole multiple of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Company promptly of the Notes or portions of Notes to be redeemed.

Section 3.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail at least 30 but not more than 60 days before the redemption date (or, if applicable, at such other time as is provided by Section 5(a) of the Notes) to each Holder of Notes to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed and shall state:

(A) the redemption date;

(B) the redemption price;

(C) the name and address of the Paying Agent;

(D) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(E) if fewer than all the outstanding Notes are to be redeemed, the identification and principal amounts of the particular Notes to be redeemed;

(F) that, unless the Company has failed to deposit with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to this Indenture, the interest on Notes called for redemption ceases to accrue on and after such redemption date; and

(G) the CUSIP number, if any, and that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by clauses (A), (B), (C) and (E) at least 45 days before the redemption date.

Section 3.04. Effect of Notice of Redemption. Once notice of redemption is mailed, Notes called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, subject to the Company's compliance with
Section 3.05 herein, such Notes shall be paid at the redemption price stated in the notice, plus accrued and unpaid interest, if any, to the redemption date.

Section 3.05. Deposit of Redemption Price. On or prior to the redemption date, the Company shall deposit with the Paying Agent in immediately available funds (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued and unpaid interest, if any, on all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption which have been delivered by the Company to the Trustee for cancellation.

Section 3.06. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at

the Company's expense) a new Note equal in principal amount to

the unredeemed portion of the Note surrendered.

## ARTICLE IV

## COVENANTS

Section 4.01. Payment of Notes. The Company shall pay, or cause to be paid, the principal of and interest on the Notes on the dates and in the manner provided herein and in the Notes. Principal or interest shall be considered paid on the date due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay all principal and interest payable in cash in each case as then due. The Company shall pay interest on overdue principal at the rate specified therefor in the Notes.

Section 4.02. Maintenance of Office or Agency. The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee as set forth in
Section 10.02.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any matter relieve the Company of its obligation to maintain an office or agency pursuant to this Section 4.02. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby initially designates the office of the Trustee or its agent located in the Borough of Manhattan, The City of New York, as such office of the Company in accordance with Section 2.03.

Section 4.03. Corporate Existence. The Company shall do or cause to be done all things necessary to preserve

and keep in full force and effect (i) its corporate existence

and the corporate existence of each of its Subsidiaries (other than Non-Recourse Subsidiaries) in accordance with their respective organizational documents and (ii) the material rights (charter and statutory), licenses and franchises of the Company and each of its Subsidiaries; provided, however, that
(i) neither the Company nor any of its Subsidiaries shall be required to preserve any such right or franchise, or corporate existence, if the Board of Directors of the Company or such Subsidiary shall determine that the loss thereof is not, and will not be, adverse in any material respect to the Company or the Holders and (ii) nothing in this Section 4.03 shall prevent the Company from taking any action that complies with the provisions of Section 5.01.

Section 4.04. Payment of Taxes and Other Claims. The Company shall, and shall cause each of its Subsidiaries (other than Non-Recourse Subsidiaries) to, pay or discharge or cause to be paid or discharged, before any penalty accrues from the failure to so pay or discharge, (i) all material taxes, assessments and governmental charges levied or imposed upon it or any of such Subsidiaries or upon the income, profits or property of it or any of such Subsidiaries, and (ii) all material, lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon its property or the property of any Specified Subsidiary; provided, however, that there shall not be required to be paid or discharged any such tax, assessment, charge or claim if the amount, applicability or validity thereof is being contested in good faith by appropriate proceedings and adequate provision therefor has been made.

Section 4.05. Compliance Certificates. (a) The Company shall deliver to the Trustee within 60 days after the end of each of the Company's fiscal quarters (120 days after the end of the Company's last fiscal quarter of its fiscal year) an Officers' Certificate, stating whether or not the signers, after due inquiry, know of any Default or Event of Default which occurred during such fiscal quarter. An Officers' Certificate delivered within 120 days after the end of the Company's fiscal year shall also contain a certification from the principal executive officer, principal financial officer or principal accounting officer of the Company as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 4.05(a), such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. If the officer does know of such a Default or Event of Default, the certificate shall describe any such Default or Event of Default, and its status.

The first certificate to be delivered pursuant to this

Section 4.05(a) shall be for the first fiscal quarter beginning after the execution of this Indenture.

(b) The Company shall deliver to the Trustee, as soon as possible and in any event within 10 days after the Company becomes aware of the occurrence of each Default or Event of Default which is continuing, an Officers' Certificate setting forth the details of such Default or Event of Default, and the action which the Company has taken and proposes to take with respect thereto. Following receipt of such Officers' Certificate, the Trustee shall send the notice called for by
Section 7.05, except as provided therein.

Section 4.06. Securities and Exchange Commission Reports. (a) At all times from and after the earlier of
(i) the date of the commencement of the Exchange Offer or the effectiveness of the Shelf Registration Statement and (ii) the date that is six months after the Issue Date, in either case, whether or not the Company is then required to file reports with the Commission, the Company shall file with the Commission all such reports and other information as would be required to be filed with the Commission under the Exchange Act. The Company shall supply to each Holder and to any other Person who reasonably requests in writing, without cost, copies of such reports or other information. In addition, the Company shall, at its cost, deliver to each Holder, and a prospective purchaser designated by such Holder, from and after the earlier of the dates referred to in clauses (i) and (ii) of this
Section 4.06(a), quarterly and annual reports substantially equivalent to those which would be required under the Exchange Act if at the time of such request the Company is not a reporting company under Section 13 or Section 15(d) of the Exchange Act. The Company also will comply with the other provisions of TIA { 314(a).

(b) So long as any of the Notes remain outstanding, the Company shall cause each annual, quarterly and other financial report mailed or otherwise furnished by it generally to public stockholders to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained by the Registrar, in each case at the time of such mailing or furnishing to such stockholders.

(c) Delivery of such reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any

of its covenants hereunder (as to which the Trustee is entitled

to rely exclusively on Officers' Certificates).

(d) The Company shall provide to any holder or any beneficial owner of Initial Notes any information reasonably requested by such holder or such beneficial owner concerning the Company and its Subsidiaries (including financial statements) necessary in order to permit such holder or such beneficial owner to sell or transfer Initial Notes in compliance with Rule 144A under the Securities Act or any similar rule or regulation adopted by the Commission.

Section 4.07. Waiver of Stay, Extension or Usury Laws. The Company covenants (to the full extent permitted by applicable law) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, and will actively resist any attempts to claim the benefit of any stay or extension law or any usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the full extent permitted by applicable law) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.08. Maintenance of Properties. Subject to this Article IV, the Company shall cause all material properties owned by or leased to it or any of its Subsidiaries (other than Non-Recourse Subsidiaries) and used or useful in the conduct of its business or the business of such Subsidiaries to be maintained and kept in normal condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company or such Subsidiary may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 4.08 shall prevent the Company or any of its Subsidiaries from discontinuing the use, operation or maintenance of any of such properties, or disposing of any of them, if such discontinuance or disposal is not, in the judgment of the Board of Directors of the Company or such Subsidiary, adverse in any material respect, to the Company or the Holders.

Section 4.09. Limitation on Debt and Preferred Stock

of the Company and ISP Subsidiaries. (a) The Company shall not Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Company for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) The Company shall not permit any ISP Subsidiary
(so long as such ISP Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of ISP for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(c) Notwithstanding the foregoing, the Company and ISP Subsidiaries may Issue the following:

(1) Debt Issued pursuant to the Credit Agreement or any Refinancing Debt thereof in an aggregate principal amount outstanding at any time not to exceed $500,000,000;

(2) Debt or Preferred Stock of the Company or any of its Post-Spin Off Subsidiaries Issued to and held by
(i) ISP or any of its Wholly-Owned Recourse Subsidiaries,
(ii) the Company or any of its Wholly-Owned Recourse Post- Spin Off Subsidiaries or (iii) on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of ISP or of the Company that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of ISP or of the Company, as the case may be, shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by the Company or such ISP Subsidiary, as the case may be;

(3) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed $30,000,000;

(4) Acquired Debt;

(5) Debt outstanding on the Issue Date (including, without limitation, the New Money Notes) and the Exchange Notes;

(6) Refinancing Debt Issued to Refinance any Debt permitted by clauses (2)-(5) above;

(7) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of ISP and (y) Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of ISP which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(8) on and after the Determination Date, (x) Non- Recourse Debt of a Non-Recourse Subsidiary of the Company and (y) Guarantees of Non-Recourse Debt of any Non- Recourse Subsidiary of the Company which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(9) Preferred Stock (other than Redeemable Stock) of the Company;

(10) so long as no Default or Event of Default has occurred and is continuing and no Ratings Event has occurred and is continuing, Debt of any ISP Subsidiary; and

(11) Debt (other than Debt described in clauses (1) through (8) and (10) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(d) To the extent the Company or any ISP Subsidiary Guarantees any Debt of the Company or any ISP Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If the Company or an ISP Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes an ISP Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt, which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.10. Limitation on Debt and Preferred Stock of BMCA Subsidiaries. (a) The Company shall not permit any BMCA Subsidiary (so long as such BMCA Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly,

any Debt or any Preferred Stock unless, at the time of such

Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and
(ii) the Consolidated EBITDA Coverage Ratio of BMCA for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, BMCA Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any BMCA Subsidiary Issued to and held by (i) BMCA or any of its Wholly-Owned Recourse Subsidiaries, (ii) any Wholly-Owned Recourse Subsidiary of the Company other than any ISP Subsidiary or
(iii) on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or Preferred Stock to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of BMCA (or, if applicable, of the Company) that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of BMCA (or, if applicable, of the Company) shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by such BMCA Subsidiary;

(2) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed $35,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses (1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of BMCA and (y) Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of BMCA which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses (1) through (6) above) in an aggregate principal amount outstanding at any time not to exceed $35,000,000.

(c) To the extent any BMCA Subsidiary Guarantees any Debt of any other BMCA Subsidiary, such Guarantee and such Debt

will be deemed to be the same Debt and only the amount of the

Debt will be deemed to be outstanding. If a BMCA Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes a BMCA Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.11. Limitation on Debt and Preferred Stock of Specified Subsidiaries. (a) The Company shall not permit any Specified Subsidiary (so long as such Specified Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Specified Subsidiaries (determined on a combined basis) for its most recently completed four consecutive fiscal quarter period ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, Specified Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any Specified Subsidiary Issued to and held by any Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) such Wholly-Owned Recourse Subsidiary ceasing to be a Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or of the Company, as the case may be, shall, in each case, be deemed to constitute the Issuance of such Debt or such Preferred Stock by such Specified Subsidiary;

(2) Purchase Money Obligations in an aggregate amount outstanding at any time not to exceed $50,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses (1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of any Specified Subsidiary and (y) Guarantees

**of Non-Recourse Debt of Non-Recourse Subsidiaries which**

Guarantees are recourse only to the stock of such Non- Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses
(1)-(6) above) in an aggregate principal amount outstanding at any time not to exceed $50,000,000.

(c) To the extent any Specified Subsidiary Guarantees any Debt of any other Specified Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If a Specified Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes a Specified Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Section 4.12. Prohibition on Debt and Capital Stock of Intermediate Parents of ISP and BMCA. Notwithstanding
Section 4.11 (a) and (b):

(a) The Company shall not permit any of its Subsidiaries (other than, subject to Section 4.09, ISP Subsidiaries) that, directly or indirectly, owns any Capital Stock or Debt of any ISP Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries or (y) the Company (or, on and after the Determination Date, any of its Wholly-Owned Recourse Subsidiaries); and

(b) The Company shall not permit any of its Subsidiaries (other than, subject to Section 4.10, BMCA Subsidiaries) that, directly or indirectly, owns any Capital Stock or Debt of any BMCA Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as BMCA is a Recourse Subsidiary of the Company, BMCA or any of its Wholly-Owned Recourse Subsidiaries or (y) G-I Holdings or any of its Post-Spin Off Wholly-Owned Recourse Subsidiaries (or, on and after the Determination Date, the Company or any of its Wholly-Owned Recourse Subsidiaries).

Section 4.13. Limitation on Restricted Payments and Restricted Investments. (a) The Company shall not make, and shall not permit any of its Subsidiaries to make, directly or

indirectly, any Restricted Payment or Restricted Investment at

any time on or after the Issue Date if, at the time of such Restricted Payment or Restricted Investment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to incur at least $1.00 of additional Debt under Section 4.09(a); or

(3) the aggregate amount of Restricted Payments made since June 30, 1996 (the "Applicable Date") and the aggregate amount of Restricted Investments made since the Applicable Date and then outstanding (the amount expended for such purposes, if other than in cash, shall be the fair market value of such property as determined by the Board of Directors of the Company in good faith as of the date of payment or investment) shall exceed the sum of:

(i) 50% of the cumulative Consolidated Net Income (or minus 100% of the cumulative Consolidated Net Loss) of the Company accrued during the period beginning on the Applicable Date and ending on the last day of the fiscal quarter for which financial information has been made publicly available by the Company but ending no more than 135 days prior to the date of such Restricted Payment or Restricted Investment (treating such period as a single accounting period);

(ii) 100% of the net cash proceeds, including the fair market value of property other than cash as determined by the Board of Directors of the Company in good faith, as evidenced by a Board Resolution, received by the Company from any Person (other than a Subsidiary of the Company) from the Issuance and sale subsequent to the Applicable Date of Capital Stock of the Company (other than Redeemable Stock) or as a capital contribution;

(iii) 100% of the net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the exercise of options or warrants on Capital Stock of the Company (other than Redeemable Stock);

(iv) 100% of the net cash proceeds received by the Company from the conversion into Capital Stock (other than Redeemable Stock) of convertible Debt or

convertible Preferred Stock issued and sold (other

than to a Subsidiary of the Company) since the Applicable Date; and

(v) $30,000,000.

The designation by the Company or any of its Subsidiaries of a Subsidiary as a Non-Recourse Subsidiary shall be deemed to be the making of a Restricted Investment by the Company in an amount equal to the outstanding Investments made by the Company and its Subsidiaries in such Person being designated a Non- Recourse Subsidiary at the time of such designation.

(b) The foregoing paragraph (a) shall not prevent the following, as long as no Default or Event of Default shall have occurred and be continuing (or would result therefrom other than pursuant to paragraph (a)):

(1) the making of any Restricted Payment or Restricted Investment within 60 days after (x) the date of declaration thereof or (y) the making of a binding commitment in respect thereof; provided that at such date of declaration or commitment such Restricted Payment or Restricted Investment complied with paragraph (a); or

(2) any Restricted Payment or Restricted Investment made out of the net cash proceeds received by the Company from the substantially concurrent sale of its Common Stock (other than to a Subsidiary of the Company); provided, however, that such net cash proceeds so utilized shall not be included in paragraph (a)(3) in determining the amount of Restricted Payments or Restricted Investments the Company could make under paragraph (a), and Restricted Payments or Restricted Investments made pursuant to this clause (2) shall not be included in determining the amount of Restricted Payments or Restricted Investments made or then outstanding under paragraph (a)(3); or

(3) repurchases of Capital Stock of the Company (or, prior to the Spin Off, dividends used to repurchase Capital Stock of GAF), in each case, from employees of the Company or any of its Subsidiaries (other than any Permitted Holder); provided, however, that the aggregate amount of Restricted Payments made under this clause shall not exceed $3,000,000 in any fiscal year; provided, further, however, that the amount of Restricted Payments made pursuant to this clause (3) shall not be included in determining the amount of Restricted Payments made under paragraph (a)(3).

Section 4.14. Limitation on Liens. (a) The Company

shall not, and shall not permit any of its Specified Subsidiaries to, directly or indirectly, incur or suffer to exist any Liens (other than Permitted Liens) upon their respective properties or assets whether owned on the Issue Date or acquired after such date, or on any income or profits therefrom, other than the following:

(1) Liens securing intercompany Debt permitted by
Section 4.11(b)(1);

(2) Liens existing on the Issue Date;

(3) Purchase money Liens on assets of the Company and its Specified Subsidiaries or improvements or additions thereto existing or created within 180 days after the time of acquisition of or improvement or addition to such assets, or replacements thereof; provided that (i) such acquisition, improvement or addition is otherwise permitted by the Indenture, (ii) the principal amount of Debt (including Debt in respect of Capitalized Lease Obligations) secured by each such Lien in each asset shall not exceed the cost (including all such Debt secured thereby, whether or not assumed) of the item subject thereto, and such Liens shall attach solely to the particular item of property so acquired, improved or added, and any additions or accessions thereto, or replacements thereof, and (iii) the aggregate amount of Debt secured by Liens permitted by this clause (3) shall not at any one time exceed $50,000,000;

(4) Liens securing Acquired Debt; provided, however, that (i) any such Lien secured the Acquired Debt at the time of the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries and such Lien and Acquired Debt were not incurred by the Company or any of its Specified Subsidiaries or by the Person being acquired or from whom the assets were acquired in connection with, or in anticipation of, the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries, and (ii) any such Lien does not extend to or cover any property or assets of the Company or of any of its Specified Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Debt became Acquired Debt of the Company or of one of its Specified Subsidiaries;

(5) Liens to secure Refinancing of any Debt secured by Liens described in clauses (1)-(4) above and (6) below; provided that (i) the Refinancing does not increase the

principal amount of Debt being so Refinanced and (ii) the

Lien of the Refinancing Debt does not extend to any asset not securing the Debt being Refinanced or improvements or additions thereto, or replacements thereof; and

(6) Liens on assets of the Company and its Specified Subsidiaries (other than the Liens described above), provided that such Liens only secure Debt of the Company and its Specified Subsidiaries in an aggregate amount not to exceed at any one time outstanding $50,000,000.

Section 4.15. Prohibition on Certain Transactions. After the Spin Off, the Company shall not, and shall not permit any of its Post-Spin Off Subsidiaries to, enter, directly or indirectly, into, or suffer to exist, any transaction or series of transactions (including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service) with GAF or any of its Post-Spin Off Subsidiaries. The foregoing shall not prohibit any transaction permitted by Section 4.16(b)(5) or (c).

Section 4.16. Limitation on Transactions with Affiliates. (a) The Company shall not enter, and shall not permit any of its Subsidiaries to enter, directly or indirectly, into any transaction or series of related transactions with any Affiliate of the Company, including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service, unless the terms of such transaction or series of transactions are set forth in writing and at least as favorable as those available in a comparable transaction in arms-length dealings from an unrelated Person; provided, however, that (i) if any such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $2,000,000, such transaction or series of related transactions shall be approved (and the value of any non-cash consideration shall be determined) by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions; and (ii) in the event that such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of $20,000,000 (with the value of any non-cash consideration being determined by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or

transactions), the Company or such Subsidiary, as the case may

be, shall have also received a written opinion from a nationally recognized investment banking firm that such transaction or series of related transactions is fair to the shareholders, in their capacity as such, of the Company or such Subsidiary from a financial point of view and such opinion has been delivered to the Trustee; provided, further, in the event that the Board of Directors of the Company or the Subsidiary, as the case may be, proposing to engage in a transaction or series of related transactions described in the preceding proviso does not have any members having no personal stake in such business, transaction or transactions, the Company or such Subsidiary may enter into such transaction or series of transactions if the Company or such Subsidiary, as the case may be, shall have received the written opinion of a nationally recognized investment banking firm that the terms thereof, from a financial point of view, are fair to the shareholders of the Company or such Subsidiary, in their capacity as such (the determination as to the value of any non-cash consideration referred to in the preceding proviso to be made by such investment banking firm), and such opinion shall have been delivered to the Trustee.

(b) The foregoing paragraph (a) shall not prevent the following:

(1) any transaction between a Subsidiary of the Company and its own employee stock ownership or benefit plan;

(2) any transaction with an officer or director of the Company or any of its Subsidiaries entered into in the ordinary course of business (including compensation or employee benefit arrangements with any such officer or director);

(3) any business or transaction by an ISP Subsidiary, the Company or, after the Determination Date, any Subsidiary of the Company with an Unrestricted Affiliate;

(4) transactions permitted by Section 4.17;

(5) payments made or actions taken pursuant to any of the Specified Agreements (or any new agreement referred to in paragraph (c) below), as any such Specified Agreement (or new agreement) is, subject to paragraph (c) below, amended, modified, extended or waived from time to

time;

(6) the making of a Restricted Payment or Restricted

Investment otherwise permitted by Section 4.13(a) or those transactions specifically permitted by Section 4.13(b);

(7) (i) transactions between or among Non-Recourse Subsidiaries of ISP, (ii) transactions between or among Non-Recourse Subsidiaries of BMCA, (iii) transactions between or among Non-Recourse Subsidiaries of any Specified Subsidiary and (iv) on or after the Determination Date, transactions between or among Non- Recourse Subsidiaries of the Company; or

(8) (i) so long as ISP is a Recourse Subsidiary of the Company, transactions between or among ISP, its Recourse Subsidiaries and the Company, (ii) transactions between or among BMCA and its Recourse Subsidiaries,
(iii) transactions between or among any Specified Subsidiary and its Recourse Subsidiaries and (iv) on or after the Determination Date, transactions between or among the Company and its Recourse Subsidiaries.

(c) The Company will not, and will not permit any of its Subsidiaries to, amend, modify, extend or waive any provision of any of the Specified Agreements in any manner which is significantly adverse to the Company or the Holders (it being understood that an extension or modification of either of the Granules Contracts (or any similar granules purchase contract) on terms at least as favorable to the Company as those available at the time of the extension or modification (or any such new agreement) in a comparable transaction in arms-length dealings with an unrelated Person shall not be deemed significantly adverse to the Company or the Holders).

Section 4.17. Limitation on Investments in Non- Recourse Subsidiaries by ISP Subsidiaries and BMCA Subsidiaries. (a) The Company shall not, and shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a Subsidiary of the Company) to, make Investments in Non-Recourse Subsidiaries of ISP if, after giving effect thereto, the cumulative aggregate amount (the amount so expended, if other than in cash, to be determined by the Board of Directors of ISP, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, made by the Company and ISP Subsidiaries would exceed 20% of the Consolidated Net Worth of ISP.

(b) The Company shall not permit any BMCA Subsidiary (so long as such BMCA Subsidiary is a Subsidiary of the Company) to make Investments in Non-Recourse Subsidiaries of

BMCA if, after giving effect thereto, the cumulative aggregate

amount (the amount so expended, if other than cash, to be determined by the Board of Directors of BMCA, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, would exceed $50,000,000.

Section 4.18. Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company shall not, and shall not permit any of its Recourse Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or pay any Debt owed to the Company or any of its Subsidiaries, (b) make loans or advances to, or Issue any Guarantee for the benefit of, the Company or any of its Subsidiaries, (c) transfer any of its properties or assets to the Company or any of its Subsidiaries or (d) incur or suffer to exist Liens in favor of the Holders, except for such encumbrances or restrictions existing under or by reason of the following:

(1) applicable law;

(2) the Indenture and the indenture governing the New Money Notes;

(3) customary provisions restricting subletting or assignment of any lease or license or other commercial agreement;

(4) any instrument governing Acquired Debt of any Person, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than such Person and its Subsidiaries, or the property or assets of such Person and its Subsidiaries, so acquired;

(5) Liens specifically permitted by Section 4.14; provided that such Liens and the terms governing such Liens do not, directly or indirectly, restrict the Company or its Subsidiaries from granting other Liens, except as to the assets subject to such Liens;

(6) the Credit Agreement or other Debt existing on the Issue Date and any Refinancing of the Credit Agreement or any such other Debt; provided that the terms and conditions of any such Refinancing agreements relating to the terms described under clauses (a)-(d) above are no less favorable to the Company and its Subsidiaries than

those contained in the agreements governing the Debt being

**Refinanced;**

(7) covenants contained in agreements governing Debt of BMCA Subsidiaries; provided, however, that such covenants shall not prohibit the BMCA Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) $25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of BMCA for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by BMCA Subsidiaries since such date; and

(8) covenants contained in agreements governing Debt of ISP Subsidiaries; provided, however, that such covenants shall not prohibit the ISP Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) $25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of ISP for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by ISP Subsidiaries since such date.

Section 4.19. Change of Control. (a) In the event of any Change of Control, each Holder shall have the right, at such Holder's option, to require the Company to purchase all or any portion (in integral multiples of $1,000) of such Holder's Notes on the date (the "Change of Control Payment Date") which is 25 Business Days after the date the Change of Control Notice (as defined below) is mailed or is required to be mailed (or such later date as is required by applicable law) at 101% of the principal amount thereof (or, if lower, the redemption price then in effect under the third paragraph of Section 5(a) of the Notes) plus accrued interest thereon to the Change of Control Payment Date.

(b) The Company or, at the request of the Company, the Trustee shall send, by first-class mail, postage prepaid, to all Holders, within ten Business Days after the occurrence of each Change of Control, a notice of the occurrence of such Change of Control (the "Change of Control Notice"), specifying a date by which a Holder must notify the Company of such

Holder's intention to exercise the repurchase right and

describing the procedure that such Holder must follow to exercise such right. The Company is required to deliver a copy of such notice to the Trustee.

Each Change of Control Notice shall state:

(1) that the change of control offer is being made pursuant to this Section 4.19 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the Change of Control Payment Date;

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the change of control offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Note purchased pursuant to a change of control offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day prior to the Change of Control Payment Date;

(6) that the Company has the right, pursuant to the second paragraph under Section 5(a) of the Notes, to redeem Notes not tendered at 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium;

(7) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than five Business Days prior to the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered; and

(9) the circumstances and relevant facts regarding

**such Change of Control.**

No failure of the Company to give the foregoing notice shall limit any Holder's right to exercise a repurchase right. The Company shall comply with all applicable Federal and state securities laws in connection with each Change of Control Notice.

On or before the Change of Control Payment Date, the Company shall (i) accept for payment Notes or portions thereof tendered pursuant to the Change of Control Notice, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes so tendered and (iii) deliver to the Trustee Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders new Notes equal in principal amount to any unpurchased portion of the Notes surrendered. Any Notes not so purchased shall be promptly mailed by the Company to the Holder thereof. For purposes of this Section 4.19, the Trustee shall act as the Paying Agent.

Section 4.20. Limitation on Asset Sales. (a) The Company shall not, and shall not permit any of its Subsidiaries, directly or indirectly, to consummate an Asset Sale unless:

(1) the Company or such Subsidiary, as the case may be, receives consideration (including non-cash consideration, whose fair market value shall be determined in good faith by the Board of Directors of the Company or such Subsidiary, as evidenced by a Board Resolution) at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Board of Directors, as evidenced by a Board Resolution);

(2) at least 75% of the consideration received by the Company or such Subsidiary, as the case may be, shall be cash or Cash Equivalents; provided, however, that this clause (2) shall not prohibit any Asset Sale for which the Company or such Subsidiary, as the case may be, receives 100% of the consideration, directly or through the acquisition of Capital Stock of a Person, in operating assets;

(3) in the case of an Asset Sale prior to the Spin

Off by G-I Holdings or any of its Post-Spin Off Subsidiaries, the Company shall commit to apply the Net Cash Proceeds of such Asset Sale within 300 days of the consummation of such Asset Sale, and shall apply such Net Cash Proceeds within 360 days of receipt thereof (if such 360th day is prior to the Spin Off), (i) to invest in the businesses that G-I Holdings and its Post-Spin Off Subsidiaries (or, on or after the Determination Date, the Company and its Recourse Subsidiaries) are engaged in at the time of such Asset Sale or any like or related business, (ii) to pay the Debt referred to in the last sentence of the definition of "Debt" or make provision for the payment thereof, through an escrow or other fund,
(iii) to pay or satisfy Debt or Preferred Stock of any BMCA Subsidiary and/or (iv) to offer to purchase the Notes, the New Money Notes, the Senior Discount Notes due 1998 and Series B Discount Notes due 1998 of G-I Holdings (the "Discount Notes"), the 10% Notes and/or the 11-3/4% Senior Deferred Coupon Notes due 2004 of BMCA in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption (or, in the case of such Discount Notes and, to the extent provided in the indenture relating to such BMCA Notes, 100% of the accreted value thereof); provided, however, that the Company may defer making such an offer until the aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to this clause (3)(iv) equal or exceed $20,000,000; and

(4) in the case of an Asset Sale by the Company or any of its Post-Spin Off Subsidiaries, the Company or such Post-Spin Off Subsidiary, as the case may be, shall apply the Net Cash Proceeds of such Asset Sale within one year of receipt thereof (i) to invest in the businesses that the Company and its Post-Spin Off Recourse Subsidiaries (or, on or after the Determination Date, the Company and its Recourse Subsidiaries) are engaged in at the time of such Asset Sale or any like or related business, (ii) on or after the Determination Date, to pay the Debt referred to in the last sentence of the definition of "Debt" or make provision for the payment thereof, through an escrow or other fund, (iii) to pay or satisfy Debt or Preferred Stock of the Company or such Post-Spin Off Subsidiary, as the case may be, and/or (iv) to offer to purchase the Notes and the New Money Notes, on a pro rata basis, in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, however, that, prior to the Spin Off, G-I Holdings shall, to the extent required under

the indentures governing the Discount Notes and the 10%

Notes, first offer to purchase any outstanding Discount Notes and 10% Notes in a tender offer at a redemption price equal to, in the case of Discount Notes, 100% of the accreted value thereof, and in the case of 10% Notes, 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, further, however, that the Company may defer making any such offer until aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to clause (4)(iv) equal or exceed $20,000,000;

provided, however, that (i) the Company and its Subsidiaries may retain up to $5,000,000 of Net Cash Proceeds from Asset Sales in any twelve-month period (without complying with clause
(3) or (4)) and (ii) any Asset Sale that would result in a Change of Control shall not be governed by this Section 4.20 but shall be governed by Section 4.19.

(b) Notice of an offer to purchase the Notes pursuant to Section 4.20(a) (a "Net Proceeds Offer") shall be mailed or caused to be mailed, by first class mail, by the Company, within 300 days after the relevant Asset Sale to all Holders at their last registered addresses as of a date within 15 days prior to the mailing of such notice, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Net Proceeds Offer and shall state the following terms:

(1) that the Net Proceeds Offer is being made pursuant to this Section 4.20 and that all Notes tendered will be accepted for payment; provided that if the aggregate amount of Notes tendered in a Net Proceeds Offer exceeds the aggregate amount available for the Net Proceeds Offer, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company, so that only Notes in denominations of $1,000 or multiples thereof shall be purchased);

(2) the purchase price and the purchase date (which shall be determined in accordance with Section 4.20(a)) (the "Proceeds Purchase Date");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless there is a default in making payment therefor, any Note accepted for payment pursuant

to the Net Proceeds Offer shall cease to accrue interest

**after the Proceeds Purchase Date;**

(5) that Holders electing to have a Note purchased pursuant to a Net Proceeds Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day prior to the Proceeds Purchase Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than two Business Days prior to the Proceeds Purchase Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing his or her election to have such Notes purchased; and

(7) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered.

On or before the Proceeds Purchase Date, the Company or such Subsidiary, as the case may be, shall (i) accept for payment Notes or portions thereof tendered pursuant to the Net Proceeds Offer which are to be purchased in accordance with item (b)(1) above, (ii) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes to be purchased and (iii) deliver to the Trustee Notes so accepted together with an Officers' Certificate stating the Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price. For purposes of this Section 4.20, the Trustee shall act as the Paying Agent.

Section 4.21. Investment Company Act. The Company shall not take any action that would require it or any of its Subsidiaries to register as an investment company under the Investment Company Act of 1940.

Section 4.22. Consents, etc. The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any fee, interest or other amount to any Holders in connection with any consent, waiver or amendment to this Indenture or the Notes, unless such fee, interest or other amount is offered or agreed to be paid to all Holders who are given the same opportunity to so consent, waive

or agree to amend and who, in fact, so consent, waive or agree

to amend.

Section 4.23. Registration Rights. The Company hereby grants to the Holders the registration rights set forth on Schedule A hereto, the terms of which are hereby incorporated by reference.

Section 4.24. Spin Off. Notwithstanding anything in this Indenture to the contrary, as long as no Default or Event of Default shall have occurred and be continuing, the Company may consummate the Spin Off.

## ARTICLE V

## SUCCESSOR CORPORATION

Section 5.01. When the Company May Merge, etc. The Company shall not consolidate with or merge with or into or sell, assign, transfer or lease all or substantially all of its properties and assets (either in one transaction or series of related transactions) to any Person, unless:

(1) the Company shall be the continuing Person, or the resulting, surviving or transferee Person (if other than the Company) shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture, and this Indenture shall remain in full force and effect;

(2) immediately before and immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any of its Subsidiaries as a result of such transaction as having been issued by such Person or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) immediately after giving effect to such transaction (other than a merger of G-I Holdings with the Company after the Determination Date), the resulting, surviving or transferee Person shall have a Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of the Company

immediately prior to such transaction; provided,

however, that, so long as no Default or Event of Default has occurred and is continuing or would result therefrom this paragraph shall not prohibit the Spin Off.

In connection with any consolidation, merger, sale, assignment, transfer or lease contemplated by this Section 5.01, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer or lease and the supplemental indenture in respect thereto comply with this Article V and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 5.02. Successor Corporation Substituted. Upon any consolidation or merger or any sale, assignment, transfer or lease of all or substantially all of the assets of the Company in accordance with Section 5.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, with the same effect as if such successor corporation had been named as the Company herein, and, except in the case of a lease, the Company will be discharged from all obligations and covenants under this Indenture and the Notes.

## ARTICLE VI

## DEFAULTS AND REMEDIES

Section 6.01. Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest on, or Additional Interest (if any) with respect to, any Note when the same becomes due and payable and the default continues for a period of 30 days;

(2) (i) the Company defaults in the payment of the principal of any Note when the same becomes due and payable at maturity or otherwise or (ii) the Company fails to redeem or repurchase Notes when required pursuant to this Indenture or the Notes;

(3) the Company fails to comply with

Section 5.01;

(4) the Company fails to comply for 30 days after notice with any of its obligations under Sections 4.03, 4.06 and 4.09 through 4.20, inclusive;

(5) the Company fails to comply for 60 days after notice with its other agreements contained in this Indenture or the Notes (other than those referred to in clauses (1)-(4) above);

(6) Debt of the Company or any Significant Subsidiary is not paid within any applicable grace period or is accelerated by the holders thereof because of a default and the total principal amount of the portion of such Debt that is unpaid or accelerated exceeds $15,000,000 or its foreign currency equivalent and such default continues for 5 days after notice;

(7) the Company or any of its Significant Subsidiaries (A) admits in writing its inability to pay its debts generally as they become due, (B) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (C) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (D) consents to the appointment of a Custodian of it or for substantially all of its property, (E) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (F) makes a general assignment for the benefit of its creditors, or (G) takes any corporate action to authorize or effect any of the foregoing; and

(8) any judgment or order for the payment of money in excess of $15,000,000 in the aggregate is rendered against the Company or any Significant Subsidiary of the Company and (i) there is a period of 60 days following the entry of such judgment or order during which such judgment or order is not discharged, waived or the execution thereof stayed and such default continues for 10 days after the notice specified below or (ii) foreclosure proceedings therefor have begun and have not been stayed within five days of the commencement of such foreclosure proceeding.

A Default under clause (4), (5), (6) or (8) is not an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes

notify the Company in writing of the Default, and the Company

does not cure the Default within the time specified in such clause after receipt of such notice. Such notice shall be given by the Trustee if so requested in writing by the Holders of at least 25% in aggregate principal amount of the outstanding Notes. When a Default under clause (4), (5), (6) or (8) is cured or remedied within the specified period, it ceases to exist.

Section 6.02. Acceleration. If an Event of Default (other than an Event of Default with respect to the Company specified in Section 6.01 clause (7) above) occurs and is continuing, the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may declare the principal of and accrued interest on all Notes then outstanding to be due and payable (the "Default Amount"). Upon a declaration of acceleration, such amount shall be due and payable immediately.

If an Event of Default with respect to the Company specified in clause (7) of Section 6.01 above occurs, the Default Amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount at maturity of the Notes then outstanding, by written notice to the Trustee and the Company, may rescind an acceleration with respect to the Notes and its consequences if
(i) all existing Defaults and Events of Default, other than the non-payment of the principal of the Notes which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid and (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Section 6.03. Other Remedies. Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing and the Holders are entitled to payment as a result of acceleration, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of and/or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in

the proceeding. A delay or omission by the Trustee or any

Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.04. Waiver of Past Defaults. Subject only to the provisions of Sections 6.07 and 9.02, the Holders of a majority in aggregate principal amount of the outstanding Notes by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on any Note as specified in clauses (1) and (2) of Section 6.01. When a Default or Event of Default is waived, it is cured and ceases to exist.

Section 6.05. Control by Majority. The Holders of a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of another Holder as such, or that may subject the Trustee to personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 6.06. Limitation on Remedies. Except as provided in Section 6.07, a Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer and provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the

outstanding Notes do not give the Trustee a direction

which, in the opinion of the Trustee, is inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder.

Section 6.07. Rights of Holders To Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal of and interest on the Note, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee. If an Event of Default specified in clause (1) or (2) of Section 6.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any other obligor on the Notes for the whole amount due and payable on such Notes for principal, premium, if any, interest and, to the extent that payment of such interest is lawful, interest on overdue principal, at the rate per annum specified in the Notes, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property. The Trustee shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceedings is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to the Trustee for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any

plan of reorganization, arrangement, adjustment or composition

affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities. If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

First: to the Trustee for amounts due under
Section 7.07;

Second: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

Third: to the Company or any other obligors on the Notes, as their interests may appear, or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by any Holder or a group of Holders of more than 10% in principal amount of the outstanding Notes.

Section 6.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

## ARTICLE VII

## TRUSTEE

Section 7.01. Rights of Trustee. Subject to TIA { 315(a) through (d):

(A) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(B) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, which shall conform to Section
10.05. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(C) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(D) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided that the Trustee's conduct does not constitute negligence.

(E) The Trustee may consult with counsel of its own choosing and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(F) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 7.02. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would

have if it were not Trustee. Any Agent may do the same with

like rights. However, the Trustee is subject to TIA {{ 310(b) and 311.

Section 7.03. Money Held in Trust. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.04. Trustee's Disclaimer. The Trustee makes no representation as to the legality or validity or adequacy of this Indenture or the Notes, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement in the Notes other than its certificate of authentication.

Section 7.05. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of the principal of or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 7.06. Reports by Trustee to Holders. Within 60 days after each May 15 beginning with the May 15 following the Issue Date, the Trustee shall mail to each Holder a report dated as of May 15 if required by TIA { 313(a). The Trustee also shall comply with TIA {{ 313(b) and 313(c).

A copy of each such report at the time of its mailing to Holders shall be filed with the Commission and each stock exchange, if any, on which the Notes are listed.

The Company shall promptly notify the Trustee in writing if the Notes become listed on any national securities exchange or of any delisting thereof.

Section 7.07. Compensation and Indemnity. The Company agrees that it shall pay to the Trustee from time to time such compensation as the Company and the Trustee shall agree in writing for its services. The Trustee's compensation shall not be limited by any law on compensation relating to the trustee of an express trust. The Company agrees that it shall reimburse the Trustee upon request for all reasonable disbursements, expenses and advances incurred or made by it. Such expenses shall include the reasonable compensation,

disbursements and expenses of the Trustee's agents and counsel.

Such expenses shall also include any taxes or other reasonable costs incurred by the trust created under Section 8.03.

The Company shall indemnify each of the Trustee and any predecessor Trustee for, and hold it harmless against, any and all loss, damage, claim or liability or expense, including taxes (other than taxes based on or measured by the income or gross receipts of the Trustee) incurred by it in connection with the administration of this trust and its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the acceptance, exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder unless the Company is actually prejudiced thereby. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

To secure the Company's payment obligations in this
Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee except money or property held in trust to pay principal of or interest on particular Notes.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in
Section 6.01(7), the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

The Company's obligations under this Section 7.07 and any Lien arising hereunder shall survive the resignation or removal of any Trustee, the discharge of the Company's obligations pursuant to Article VIII and/or the termination of this Indenture.

Section 7.08. Replacement of Trustee. A resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Sec- tion 7.08. The Trustee may resign by so notifying the Company in writing at least 30 days prior to the date of the proposed resignation. The Holders of a majority in aggregate principal

amount of the outstanding Notes may remove the Trustee by so

notifying the Trustee in writing and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with
Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. The Trustee shall be entitled to payment of its fees and reimbursement of its expenses while acting as Trustee, and to the extent such amounts remain unpaid, the Trustee that has resigned or has been removed shall retain the Lien afforded by Section 7.07. Within one year after the successor Trustee takes office, the Holders of a majority in aggregate principal amount of the outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately thereafter, subject to the Lien provided in Section 7.07, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the retiring Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in aggregate principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If any Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor

Trustee. Any successor Trustee shall comply with TIA

{ 310(a)(5).

Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, etc. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee, if such corporation or association complies with Section 7.10.

Section 7.10. Eligibility; Disqualification. This Indenture shall always have a Trustee who satisfies the requirements of TIA { 310(a)(1). The Trustee shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company subsidiary shall have) a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee also shall comply with TIA { 310(b).

Section 7.11. Preferential Collection of Claims Against the Company. The Trustee is subject to TIA { 311(a), excluding from the operation of TIA { 311(a) any creditor relationship listed in TIA { 311(b). A Trustee who has resigned or been removed shall be subject to TIA { 311(a) to the extent indicated therein.

Section 7.12. Duties of Trustee. (A) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(B) Except during the continuance of a Default or an Event of Default:

(1) the Trustee need perform only those duties as are specifically set forth in this Indenture and no others and no implied covenants or obligation shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the

statements and the correctness of the opinions expressed

therein, upon certificates or opinions furnished to the Trustee and which conform to the requirements of this Indenture; provided, however, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(C) The Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (B) of this Section 7.12;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to
Section 6.05.

(D) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(E) Every provision of this Indenture that in any way relates to the Trustee is subject to Sections 7.12(A), (B),
(C) and (D).

## ARTICLE VIII

## DISCHARGE OF INDENTURE; DEFEASANCE

Section 8.01. Discharge of Liability on Notes; Defeasance. (a) When (i) the Company delivers to the Trustee all outstanding Notes (other than Notes replaced pursuant to
Section 2.07) for cancellation or (ii) all outstanding Notes have become due and payable, and the Company irrevocably deposits with the Trustee money sufficient to pay at maturity all outstanding Notes, including interest thereon (other than

Notes replaced pursuant to Section 2.07), and if in either case

the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Sections 8.01(c) and 8.06, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as to the satisfaction of all conditions to such satisfaction and discharge of this Indenture and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c), 8.02 and 8.06, the Company may at any time terminate (i) all its obligations under the Notes and this Indenture ("legal defeasance"), or (ii) its obligations under Sections 4.03, 4.04, 4.06, 4.08 through 4.21 and 4.23 and the operation of Section 6.01(3), 6.01(4), 6.01(5), 6.01(6), 6.01(7) (with respect only to Significant Subsidiaries) and 6.01(8) and the limitation contained in Section 5.01(3) ("covenant defeasance").

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto.

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 7.07, 7.08, 8.04, 8.05 and 8.06 shall survive until the Notes have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 8.04 and 8.05 shall survive.

Section 8.02. Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal and interest, if any, on the Notes to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations

plus any deposited money without investment will provide

cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Notes to maturity or redemption, as the case may be;

(3) no Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(4) the deposit does not constitute a default under any other agreement binding on the Company;

(5) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) the Company delivers to the Trustee an Opinion of Counsel stating that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and, in the case of legal defeasance only, such Opinion of Counsel shall be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law; and

(7) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes as contemplated by this Article VIII have been complied with.

Notwithstanding the foregoing provisions of this Section, the conditions set forth in the foregoing paragraphs (2), (3), (4), (5), (6) and (7) need not be satisfied so long as, at the time the Company makes the deposit described in paragraph (1), (i) no Default under Section 6.01(1), 6.01(2), 6.01(7) or 6.01(8) has occurred and is continuing on the date of such deposit and after giving effect thereto and (ii) either (x) a notice of redemption has been mailed pursuant to Section 3.03 providing for redemption of all the Notes 30 days after such mailing and the provisions of Section 3.01 with respect to such redemption shall have been complied with or (y) the Stated Maturity of all of the Notes will occur within 30 days. If the conditions of the preceding sentence are satisfied the Company shall be deemed to have exercised its covenant defeasance option.

Before or after a deposit, the Company may make

arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article III (including by utilizing amounts under deposit).

Section 8.03. Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest, if any, on the Notes.

Section 8.04. Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.05. Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charges imposed on or assessed against U.S. Government Obligations deposited with the Trustee hereunder or the principal and interest received on such U.S. Government Obligations.

Section 8.06. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article VIII; provided that, if the Company has made any payment of interest on or principal of any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

## ARTICLE IX

## AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01. Without Consent of Holders. The Company, when authorized by a resolution of its Board of Directors, and the Trustee may amend or supplement this Indenture or the Notes without notice to or consent of any Holder:

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

(2) to comply with Article V;

(3) to provide for uncertificated Notes in addition to certificated Notes;

(4) to comply with any requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA;

(5) to make any change that would provide any additional benefit or rights to the Holders or that does not adversely affect the rights of any Holder; or

(6) to provide for issuance of the Exchange Notes, which will have terms substantially identical in all material respects to the Initial Notes (except that the transfer restrictions contained in the Initial Notes will be modified or eliminated, as appropriate), and which will be treated together with any outstanding Initial Notes, as a single issue of securities.

Notwithstanding the above, the Trustee and the Company may not make any change that adversely affects the rights of any Holders hereunder.

Section 9.02. With Consent of Holders. Subject to
Section 6.07, the Company, when authorized by resolution of its Board of Directors, and the Trustee may amend this Indenture or the Notes with the written consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, and the Holders of a majority in aggregate principal amount of the Notes then outstanding by written notice to the Trustee may waive future compliance by the Company with any provision of this Indenture or the Notes.

Notwithstanding the provisions of this Section 9.02,

without the consent of each Holder affected, an amendment or waiver, including a waiver pursuant to Section 6.04, may not:

(A) change the stated maturity of the principal of, or any installment of interest on, any Note or reduce the principal amount thereof, the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(B) reduce the percentage in principal amount of the outstanding Notes, the consent of the Holders of which is required for any supplemental indenture or the consent of such Holders is required for any waiver of compliance with provisions of this Indenture or Defaults hereunder and their consequences provided for in this Indenture;

(C) modify any of the provisions relating to supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of covenants, except to increase any such percentage of outstanding Notes required for such actions or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of each Holder affected thereby;

(D) waive a default in the payment of the principal of or interest on any Note or modify or waive the Company's obligation to repurchase Notes under
Section 4.19 or 4.20;

(E) except as otherwise permitted by the covenants contained in Article V, consent to the assignment or transfer by the Company of any of its rights and obligations under this Indenture;

(F) make any change in this Section 9.02 or
Section 6.04 or 6.07; or

(G) change the time at which any Note must be redeemed or repaid in accordance with the terms of this Indenture and the Notes.

It shall not be necessary for the consent of the

Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof. Any amendment, waiver or consent shall be deemed effective upon receipt by the Trustee of the necessary consents and shall not require execution of any supplemental indenture to be effective.

After an amendment or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of each Note affected thereby, with a copy to the Trustee, a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, waiver or consent. Except as otherwise provided in this Section 9.02, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provisions of this Indenture or the Notes.

Section 9.03. Revocation and Effect of Consents. Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by such Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his Note or portion of a Note. Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder; provided that if such amendment, supplement or waiver makes a change described in any of clauses (A) through (G) of Section 9.02, such amendment, supplement or waiver shall bind each Holder of a Note who has consented to it; and provided, further, that if notice of such amendment, supplement or waiver is reflected on a Note that evidences the same debt as the consenting Holder's Note, such amendment, supplement or waiver shall bind every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note.

Section 9.04. Record Date. The Company shall be permitted to set a record date for purposes of determining the identity of Holders entitled to vote or consent on any matter arising under this Indenture. In the Company's sole discretion, the record date shall be either (i) the record date

as determined pursuant to { 316(c) of the TIA or (ii) such

other record date as the Company shall select.

Section 9.05. Notation on or Exchange of Notes. If an amendment, supplement or waiver changes the terms of a Note, the Trustee may (and, at the request of the Company, shall) require the Holder of the Note to deliver it to the Trustee. The Trustee may (and, at the request of the Company, shall) place an appropriate notation on the Note about the changed terms and return it to the Holder and the Trustee may (and, at the request of the Company, shall) place an appropriate notation on any Note thereafter authenticated. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms.

Section 9.06. Trustee May Sign Amendments, etc. The Trustee shall sign any amendment, supplement or waiver authorized pursuant to this Article IX if the amendment, supplement or waiver does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment, supplement or waiver, the Trustee shall be entitled to receive and, subject to TIA { 315(a) through
(d), shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment, supplement or waiver is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

## ARTICLE X

## MISCELLANEOUS

Section 10.01. Trust Indenture Act of 1939. This Indenture is subject to the provisions of the TIA that are required to be a part of this Indenture, and shall, to the extent applicable, be governed by such provisions.

Section 10.02. Notices. Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

**If to the Company, to:**

c/o ISP Management Company Inc.
1361 Alps Road
Wayne, New Jersey 07470

Attention: General Counsel

**If to the Trustee, to:**

The Bank of New York
101 Barclay Street, 21 West
New York, New York 10286

Attention: Corporate Trust Trustee Administration

The parties hereto by notice to the other parties may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed, postage prepaid, to a Holder shall be mailed by first class mail to him at his address as it appears on the Notes register maintained by the Registrar and shall be sufficiently given to him if so mailed within the time prescribed. Copies of any such communication or notice to a Holder shall also be mailed to the Trustee.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Except for a notice to the Trustee or the Company, which is deemed given only when received, if a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 10.03. Communication by Holders with Other Holders. Holders may communicate pursuant to TIA { 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA { 312(c).

Section 10.04. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the

opinion of such counsel, all such conditions precedent have been complied with.

Section 10.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 4.05(b)) shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinions contained in such certificate or opinion are based;

(3) a brief statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with; provided that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

Section 10.06. Rules by Trustee, Paying Agent, Registrar. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

Section 10.07. Governing Law. The laws of the State of New York shall govern this Indenture and the Notes without regard to principles of conflicts of law. The Trustee, the Company and the Holders agree to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to this Indenture or the Notes.

Section 10.08. No Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries. No such indenture, loan or debt agreement may be used to interpret this Indenture.

Section 10.09. No Recourse Against Others. No

director, officer, employee, stockholder or Affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Notes or this Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability.

Section 10.10. Legal Holidays. A "Legal Holiday" is a Saturday, Sunday or a day on which banking institutions in New York, New York are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday and interest shall not accrue for the intervening period.

Section 10.11. Successors. All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.12. Duplicate Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all such executed copies together represent the same agreement.

Section 10.13. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and a Holder shall have no claim therefor against any party hereto.

Section 10.14. Table of Contents, Headings, etc. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

## SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

**ISP HOLDINGS INC.**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**THE BANK OF NEW YORK,**
**as Trustee**

*By: /s/Timothy J. Shea*
*---*
*Name: Timothy J. Shea*
*Title: Assistant Treasurer*

**EXHIBIT A**

**[FORM OF FACE OF INITIAL NOTE]**

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS THREE YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUANCE OF THIS NOTE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF THIS NOTE (THE "RESALE RESTRICTION TERMINATION DATE") RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO THE BANK OF NEW YORK, AS TRUSTEE, A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS NOTE (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE), (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (F) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH ACCOUNT BE AT ALL TIMES WITHIN ITS CONTROL AND TO COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE BEFORE THE RESALE RESTRICTION TERMINATION DATE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. IF THE PROPOSED TRANSFER IS PURSUANT TO CLAUSES (C), (D) OR (E) ABOVE, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY

REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE.

No. $_____

**CUSIP No. 450302AC8**

**ISP HOLDINGS INC.**

**9 3/4% SENIOR NOTES DUE 2002**

ISP HOLDINGS INC., a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on February 15, 2002 and to pay interest thereon on February 15 and August 15, in each year, commencing on February 15, 1997 (each an "Interest Payment Date"), accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate specified herein, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Note is registered at the close of business on the February 1 or August 1, whether or not a Business Day, as the case may be, immediately preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Notes, to the extent lawful, shall forthwith cease to be payable to the Holder on such Interest Payment Date, and may be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to Holders not less than 15 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.



G-I_EPA0009543

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

**ISP HOLDINGS INC.**

[Seal]

By: _____
Name:
Title:

By: _____
Name:
Title:

Dated:

**Trustee's Certificate of Authentication**

This is one of the 9 3/4% Senior Notes due 2002 described in the within-mentioned Indenture.

**THE BANK OF NEW YORK, as Trustee**

By: _____
Authorized Signatory



G-I_EPA0009544

**[FORM OF REVERSE SIDE INITIAL NOTE]**

**ISP HOLDINGS INC.**

**9 3/4% Senior Notes due 2002**

1. Interest. ISP HOLDINGS INC., a Delaware corporation (the "Company"), shall pay interest on overdue principal at the rate of 9 3/4% per annum. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Holder must surrender this Note to a Paying Agent to collect principal payments. the Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. With respect to certificated Notes, the Company, however, may pay interest by a check payable in such money. The Company may mail an interest check to the Holder's registered address. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar. Initially, The Bank of New York (the "Trustee") or its agent will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without prior notice to any Holder. The Company or any of its Subsidiaries or Affiliates may act in any such capacity, except in certain circumstances.

4. Indenture. The Company issued the Notes under an Indenture dated as of October 18, 1996 (the "Indenture") between the Company and the Trustee. Capitalized terms used in this Note and not defined in this Note shall have the meaning set forth in the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and said Act for a statement of such terms.

The Notes are senior unsecured obligations of the Company limited to the Initial Notes Amount. This Note is one of the Initial Notes referred to in the Indenture. The Notes include the Initial Notes and any Exchange Notes, as defined



G-I_EPA0009545

below, issued in exchange for the Initial Notes pursuant to the Indenture. The Initial Notes and the Exchange Notes are treated as a single class of securities under the Indenture.

5. Redemption.

(a) Optional Redemption. In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP or (z) on and after the Determination Date, BMCA or its parent consummates sale of the Common Stock of BMCA, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% (in the case of a redemption under clause (x) or (y)) or 25% (in the case of a redemption under clause (z)) of the principal amount of the Notes then outstanding at a redemption price equal to 109.75% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes then outstanding, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium. Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such redemption, and redemption must be made within 30 days of the date of the notice.

The Notes will be redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:



G-I_EPA0009546

| YEAR | PERCENTAGE |
|---|---|
| 1999 ..... | 104.8750% |
| 2000 ..... | 102.4375% |
| 2001 ..... | 100.0000% |

(b) Mandatory Redemption. The Notes will not have the benefit of any sinking fund.

6. Put Provisions. Upon a Change of Control, each Holder of Notes will have the right to cause the Company to repurchase all or any part (in integral multiples of $1,000) of the Notes of such Holder at a repurchase price equal to 101% of the principal amount thereof (or, if lower, the redemption price then in effect as set forth in the third paragraph of Section 5(a)) plus accrued interest thereon to the date of repurchase, as provided in, and subject to the terms of, the Indenture.

7. Notice of Redemption. Notice of redemptions pursuant to Section 5 will be mailed at least 30 days but not more than 60 days before the applicable redemption date (or, if applicable at such other time as is provided by Section 5(a)) to each Holder of Notes to be redeemed at the Holder's registered address. If money sufficient to pay the redemption price and accrued interest on all Notes to be redeemed on the redemption date is deposited with the Paying Agent on the redemption date, on and after such date interest ceases to accrue on such Notes or portions of them. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000.

8. Proceeds on Disposition of Assets. Under certain circumstances, the Company is required to apply the Net Cash Proceeds (or a portion thereof) from Asset Sales to offer to purchase Notes at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

9. Denominations, Transfer, Exchange. The Notes are in registered form in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer or exchange of Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

10. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the



G-I_EPA0009547

Person in whose name this Note is registered with the Registrar as the owner for all purposes.

11. Unclaimed Money. If money for the payment of interest or principal remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Company at its written request. After such time, Holders entitled to the money must look to the Company for payment unless an abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Discharge Prior to Maturity. Subject to certain conditions, if the Company deposits with the Trustee money or U.S. Government Obligations sufficient for the payment of principal and interest on the Notes to maturity, the Company will be discharged (to the extent provided in the Indenture) from the Indenture and the Notes.

13. Amendments, Supplements and Waivers. Subject to certain exceptions requiring the consent of each Holder affected, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, provide for assumption of the obligations of the Company to Holders in accordance with the terms of the Indenture or make any change that does not adversely affect the rights of any Holder.

14. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or certain of its Subsidiaries to make Restricted Payments and Restricted Investments and the ability of the Company and certain of its Subsidiaries to incur Debt, create Liens or engage in transactions with Affiliates or issue Preferred Stock, all subject to certain important limitations and qualifications described in the Indenture. The Indenture allows for the consummation of the Spin Off.

15. Successor Corporation. When a successor Person or other entity assumes all the obligations of its predecessor



G-I_EPA0009548

under the Notes and the Indenture, the predecessor Person will be released from those obligations.

16. Defaults and Remedies. The Notes have the Events of Default as set forth in Section 6.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. the Company must furnish quarterly compliance certificates to the Trustee.

17. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or any of its Affiliates, and may otherwise deal with the Company or any of its Affiliates, as if it were not the Trustee.

18. No Recourse Against Others. A director, officer, employee, stockholder or Affiliate, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

19. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or any authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

21. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

22. Registration Rights. Pursuant to the Registration Rights, attached as Schedule A to the Indenture, the Company has certain obligations regarding an exchange offer pursuant to which the Holder of this Note shall have the right to exchange this Note for the Company's Series B 9 3/4% Senior Notes due 2002 (the "Exchange Notes"), which have been registered under the Securities Act, in like principal amount and having identical terms as the Initial Notes (other than certain restrictions on transfers). The Holders of the Initial Notes shall be entitled to receive certain additional interest payments in the event such exchange offer is not consummated and upon certain other conditions, all pursuant to and in accordance with the terms of the Registration Rights. Within five days after the occurrence of an event so resulting in such additional interest payments, the Company shall provide the Trustee with an Officers' Certificate describing such event and providing the Trustee with all necessary details relating to the payment of such interest, including, without limitation, the interest rate, the effective date of such interest rate and the method of calculating interest.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

ISP Holdings Inc.
c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07470 Attention: Secretary



G-I_EPA0009550

**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

(insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

**Date: _____ Your Signature:**

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:_____

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the date that is three years after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Notes are being transferred:

**CHECK ONE BOX BELOW**

(1) __ to the Company or a subsidiary thereof; or

(2) __ to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended) in compliance with Rule 144A; or

(3) __ to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) __ outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) __ pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided that if box (3), (4) or (5) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Notes, in its sole discretion, such legal opinions, certifications and other information as the Trustee or the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

Signature Guarantee: Signature

---

**Signature**

**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have all of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, check the appropriate box:

Section 4.19 / / __ Section 4.20 / / __

____

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, state the principal amount:
$ Date:_____Your Signature:

(Sign exactly as your name appears
on the other side of the Note)

**Signature Guarantee:**

(Signature must be guaranteed)



G-I_EPA0009553

**EXHIBIT B**

**[FORM OF FACE OF EXCHANGE NOTE]**

No. $_____

**CUSIP No.**

**ISP HOLDINGS INC.**

**SERIES B 9 3/4% SENIOR NOTES DUE 2002**

ISP HOLDINGS INC., a Delaware corporation (the "Company"), promises to pay to

, or registered assigns, the principal sum of Dollars on February 15, 2002 and to pay interest thereon on February 15 and August 15, in each year, commencing on February 15, 1997 (each an "Interest Payment Date"), accruing from the Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate specified herein, until the principal hereof is paid or duly provided for. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture referred to on the reverse hereof, be paid to the Person in whose name this Note is registered at the close of business on the February 1 or August 1, whether or not a Business Day, as the case may be, immediately preceding such Interest Payment Date. Any such interest not so punctually paid, or duly provided for, and interest on such defaulted interest at the then applicable interest rate borne by the Notes, to the extent lawful, shall forthwith cease to be payable to the Holder on such Interest Payment Date, and may be paid to the Person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to Holders not less than 15 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and



G-I_EPA0009554

upon such notice as may be required by such exchange, all as more fully provided in such Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

**ISP HOLDINGS INC.**

[Seal]

By: _____
Name:
Title:

By: _____
Name:
Title:

Dated:

**Trustee's Certificate of Authentication**

This is one of the Series B 9 3/4%
Notes due 2002 described in
the within-mentioned Indenture.

**THE BANK OF NEW YORK,**
**as Trustee**

By: _____
Authorized Signatory



G-I_EPA0009556

**[FORM OF REVERSE SIDE EXCHANGE NOTE]**

**ISP HOLDINGS INC.**

**Series B 9 3/4% Notes due 2002**

1. Interest. ISP HOLDINGS INC., a Delaware corporation (the "Company"), shall pay interest on overdue principal at the rate of 9 3/4% per annum. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Holder must surrender this Note to a Paying Agent to collect principal payments. the Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. With respect to certificated Notes, the Company, however, may pay interest by a check payable in such money. The Company may mail an interest check to the Holder's registered address. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar. Initially, The Bank of New York (the "Trustee") or its agent will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without prior notice to any Holder. The Company or any of its Subsidiaries or Affiliates may act in any such capacity, except in certain circumstances.

4. Indenture. The Company issued the Notes under an Indenture dated as of October 18, 1996 (the "Indenture") between the Company and the Trustee. Capitalized terms used in this Note and not defined in this Note shall have the meaning set forth in the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 as in effect on the date of the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and said Act for a statement of such terms.

The Notes are senior unsecured obligations of the Company limited to the Initial Notes Amount. This Note is one of the Exchange Notes referred to in the Indenture. The Notes include the Exchange Notes and any Initial Notes in exchange



G-I_EPA0009557

for which the Exchange Notes were issued pursuant to the Indenture. The Initial Notes and the Exchange Notes are treated as a single class of securities under the Indenture.

5. Redemption.

(a) Optional Redemption. In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP or (z) on and after the Determination Date, BMCA or its parent consummates sale of the Common Stock of BMCA, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% (in the case of a redemption under clause (x) or (y)) or 25% (in the case of a redemption under clause (z)) of the principal amount of the Notes then outstanding at a redemption price equal to 109.75 % of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes then outstanding, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium. Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such redemption, and redemption must be made within 30 days of the date of the notice.

The Notes will be redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:



G-I_EPA0009558

| YEAR | PERCENTAGE |
|---|---|
| 1999 ..... | 104.8750% |
| 2000 ..... | 102.4375% |
| 2001 ..... | 100.0000% |

(b) Mandatory Redemption. The Notes will not have the benefit of any sinking fund.

6. Put Provisions. Upon a Change of Control, each Holder of Notes will have the right to cause the Company to repurchase all or any part (in integral multiples of $1,000) of the Notes of such Holder at a repurchase price equal to 101% of the principal amount thereof (or, if lower, the redemption price then in effect as set forth in the third paragraph of Section 5(a)) plus accrued interest thereon to the date of repurchase, as provided in, and subject to the terms of, the Indenture.

7. Notice of Redemption. Notice of redemptions pursuant to Section 5 will be mailed at least 30 days but not more than 60 days before the applicable redemption date (or, if applicable at such other time as is provided by Section 5(a)) to each Holder of Notes to be redeemed at the Holder's registered address. If money sufficient to pay the redemption price and accrued interest on all Notes to be redeemed on the redemption date is deposited with the Paying Agent on the redemption date, on and after such date interest ceases to accrue on such Notes or portions of them. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000.

8. Proceeds on Disposition of Assets. Under certain circumstances, the Company is required to apply the Net Cash Proceeds (or a portion thereof) from Asset Sales to offer to purchase Notes at a price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of purchase.

9. Denominations, Transfer, Exchange. The Notes are in registered form in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer or exchange of Notes as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

10. Persons Deemed Owners. The Company, the Trustee and any agent of the Company or the Trustee may treat the



G-I_EPA0009559

Person in whose name this Note is registered with the Registrar as the owner for all purposes.

11. Unclaimed Money. If money for the payment of interest or principal remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Company at its written request. After such time, Holders entitled to the money must look to the Company for payment unless an abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

12. Discharge Prior to Maturity. Subject to certain conditions, if the Company deposits with the Trustee money or U.S. Government Obligations sufficient for the payment of principal and interest on the Notes to maturity, the Company will be discharged (to the extent provided in the Indenture) from the Indenture and the Notes.

13. Amendments, Supplements and Waivers. Subject to certain exceptions requiring the consent of each Holder affected, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing Default may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, provide for assumption of the obligations of the Company to Holders in accordance with the terms of the Indenture or make any change that does not adversely affect the rights of any Holder.

14. Restrictive Covenants. The Indenture imposes certain limitations on, among other things, the ability of the Company to merge or consolidate with any other Person or sell, lease or otherwise transfer all or substantially all of its properties or assets, the ability of the Company or certain of its Subsidiaries to make Restricted Payments and Restricted Investments and the ability of the Company and certain of its Subsidiaries to incur Debt, create Liens or engage in transactions with Affiliates or issue Preferred Stock, all subject to certain important limitations and qualifications described in the Indenture. The Indenture allows for the consummation of the Spin Off.

15. Successor Corporation. When a successor Person or other entity assumes all the obligations of its predecessor

under the Notes and the Indenture, the predecessor Person will be released from those obligations.

16. Defaults and Remedies. The Notes have the Events of Default as set forth in Section 6.01 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization relating to the Company, all outstanding Notes shall become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. the Company must furnish quarterly compliance certificates to the Trustee.

17. Trustee Dealings with the Company. The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or any of its Affiliates, and may otherwise deal with the Company or any of its Affiliates, as if it were not the Trustee.

18. No Recourse Against Others. A director, officer, employee, stockholder or Affiliate, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

19. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or any authenticating agent.

20. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

21. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

ISP Holdings Inc.
c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07470 Attention: Secretary

**ASSIGNMENT FORM**

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

(insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

**Date: _____ Your Signature:**

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:_____

**OPTION OF HOLDER TO ELECT PURCHASE**

If you want to elect to have all of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, check the appropriate box:

Section 4.19 / / __ Section 4.20 / / __

____

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.19 or 4.20 of the Indenture, state the principal amount:
$ Date:_____Your Signature:

(Sign exactly as your name appears
on the other side of the Note)

**Signature Guarantee:**

(Signature must be guaranteed)



G-I_EPA0009564

**EXHIBIT C**

**[FORM OF LEGEND FOR BOOK-ENTRY SECURITIES]**

Any Global Note authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS NOTE IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**ISP HOLDINGS INC.**

**9 3/4% Senior Notes Due 2002**

**REGISTRATION RIGHTS**

October 18, 1996

ISP Holdings Inc., a Delaware corporation (the "Company"), hereby agrees for the benefit of the holders (the "Holders") of its 9 3/4% Senior Notes due 2002 (the "Notes") as follows:

1. Registered Exchange Offer. The Company shall prepare and, not later than the date (the "Filing Deadline") which is 60 days after the date of expiration (the "Expiration Date") of the offer to exchange pursuant to which the Notes are being issued, file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the Holders of the Notes to issue and deliver to such Holders, in exchange for the Notes, a like principal amount of debt securities of the Company identical in all material respects to the Notes (the "Exchange Notes"), except for the transfer restrictions relating to the Notes. The Company shall use its best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 120 days after the Expiration Date. Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of the Notes electing to exchange the Notes for Exchange Notes and (assuming that such Holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Notes in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Notes) to trade such Exchange Notes from and after their receipt without any limitations or restrictions under the Securities Act and the securities laws of the several states of the United States. In connection with such Registered Exchange Offer, the Company shall take such further action, including, without limitation, appropriate filings under state securities laws, as may be necessary to realize the foregoing objective

subject to the proviso of Section 3(h).

The Company shall include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution", which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Exchange Notes received by such broker-dealer in the Registered Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies represent the prevailing views of the staff of the Commission. Such "Plan of Distribution" section shall also allow the use of the prospectus by all persons subject to the prospectus delivery requirements of the Securities Act, including Participating Broker-Dealers, and include a statement describing the means by which Participating Broker-Dealers may resell the Exchange Notes.

The Company shall use its best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Notes; provided that such period shall not exceed 180 days (or such longer period if extended pursuant to Section 3(j) below).

In connection with the Registered Exchange Offer, the Company shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 20 business days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York;

(d) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer

shall remain open; and

(e) otherwise comply in all respects with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer the Company shall:

(i) accept for exchange all the Notes tendered and not validly withdrawn pursuant to the Registered Exchange Offer;

(ii) deliver to The Bank of New York, as trustee (the "Trustee") for cancellation all the Notes so accepted for exchange; and

(iii) cause the Trustee to authenticate and deliver promptly to each Holder, Exchange Notes equal in principal amount to the Notes of such Holder so accepted for exchange.

The Exchange Notes may be issued under (i) the Indenture (the "Indenture"), dated as of October 18, 1996, between the Company and the Trustee or (ii) an indenture substantially similar to the Indenture, which in either event will provide that the Exchange Notes will not be subject to the transfer restrictions set forth in the Indenture and that the Exchange Notes and the Notes will vote and consent together on all matters as one class and that none of the Exchange Notes or the Notes will have the right to vote or consent as a separate class on any matter.

2. Shelf Registration. If, (i) because of any change in law or in currently prevailing interpretations of the staff of the Commission, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not completed within 180 days of the Issue Date (the "Completion Deadline") or (iii) any Holder is not eligible to participate in the Registered Exchange Offer or, in the case of any Holder that participates in the Registered Exchange Offer, such Holder does not receive freely tradeable Exchange Notes on the date of the exchange, the Company shall take the following actions:

(a) The Company shall as promptly as reasonably practicable file with the Commission and thereafter shall use its best efforts to cause to be declared effective a registration statement (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, "Registration Statements" and each a "Registration Statement") on an appropriate form under the Securities Act relating to the offer and sale of the Notes

by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereafter, the "Shelf Registration").

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective in

order to permit the prospectus included therein to be lawfully delivered by the Holders of the Notes for a period of three years (or for such longer period if extended pursuant to Section 3(j) below) from the date of original issuance of the Notes or such shorter period that will terminate when all the Notes covered by the Shelf Registration Statement have been sold pursuant thereto; provided that the Company shall be deemed not to have used its best efforts to keep the Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in Holders of the Notes covered thereby not being able to offer and sell the Notes during that period, unless such action is required by applicable law.

(c) Notwithstanding any other provisions hereof to the contrary, the Company shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Registration Procedures. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Company shall furnish to the Dealer Manager (the "Dealer Manager") of the exchange offer under which the Notes where issued, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and shall obtain the consent of the Dealer Manager to any such filing, which shall not be unreasonably withheld.

(b) The Company shall give written notice to the

Holders of the Notes and any Participating Broker-Dealer from whom the Company has received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer:

(i) when the Registration Statement or any amendment thereto has been filed with the Commission and when the Registration Statement or any post- effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information, provided that the contents need only be disclosed to one counsel appointed by and on behalf of the Holders of the Notes as described in Section 4;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in the Registration Statement or the prospectus in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(c) The Company shall use its best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible time.

(d) The Company shall furnish to each Holder of the Notes included within the coverage of the Shelf Registration, without charge, at least one copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits (including those, if any, incorporated by reference).

(e) The Company shall deliver to any Holder who so requests, without charge, at least one copy of the

Exchange Offer Registration Statement and any post- effective amendment thereto, including financial statements and schedules, and, if any such Holder requests, all exhibits (including those incorporated by reference).

(f) The Company shall deliver to each Holder of the Notes included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may

reasonably request. The Company consents, subject to the provisions hereof, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Notes in connection with the offering and sale of the Notes covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Company shall deliver to any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Company consents, subject to the provisions hereof, to the use of the prospectus or any amendment or supplement thereto by, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Notes covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Notes, pursuant to the Shelf Registration, the Company shall register or qualify or cooperate with the Holders of the Notes included therein and their respective counsel in connection with the registration or qualification of the Notes for offer and sale under the securities or blue sky laws of such jurisdictions as any Holder of the Notes reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Notes covered by the Shelf Registration; provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction

where it is not then so subject.

(i) The Company shall cooperate with the Holders of the Notes to facilitate the timely preparation and delivery of certificates representing the Notes to be sold in the Shelf Registration free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Notes pursuant to the Shelf Registration.

(j) Upon the occurrence of any event contemplated by
Section 3(b)(v) above, the Company shall promptly prepare a post-effective amendment to the Registration Statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered

to Holders of the Notes or the Exchange Notes, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders of the Notes and any known Participating Broker-Dealer in accordance with Section 3(b)(v) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders of the Notes and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Holders of the Notes and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Company will provide a CUSIP number for the Notes or Exchange Notes, as the case may be, and provide the applicable trustee with printed certificates for the Notes or Exchange Notes, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Company will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its securities holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section

11(a) of the Securities Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Shelf Registration, which statement shall cover such 12-month period.

(m) The Company shall cause the Indenture (or an indenture substantially identical to the Indenture in the case of a Registered Exchange Offer) to be qualified under the Trust Indenture Act of 1939, as amended.

(n) The Company may require each Holder of the Notes to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of the Notes as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement.

(o) The Company shall enter into such customary agreements (including if requested an underwriting agreement in customary form) and take all such other action, if any, as any Holder of the Notes shall reasonably request in order to facilitate the disposition of the Notes pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Company shall (i) make reasonably available for inspection by the Holders of the Notes, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Notes or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by the Holders of the Notes or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement; provided that the foregoing inspection and information gathering shall be coordinated on behalf of the parties, by one counsel designated by and on behalf of such parties as described in Section 4.

(q) In the case of the Registered Exchange Offer, the Company shall (i) make reasonably available for inspection by any known Participating Broker-Dealer and any attorney, accountant or other agent retained by such Participating Broker-Dealer all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors and employees to supply all relevant

information reasonably requested by such Participating Broker-Dealer or any such attorney, accountant or agent in connection with the Exchange Offer Registration Statement; provided that the foregoing inspection and information gathering shall be coordinated on behalf of the parties, by one counsel designated by and on behalf of such parties as described in Section 4.

(r) In the case of any Shelf Registration, the Company, if requested by any Holder of the Notes, shall cause its counsel to deliver an opinion relating to the Notes in customary form, cause its officers to execute and deliver all customary documents and certificates requested by any underwriters of the Notes and cause its independent public accountants to provide to the selling Holders of the Notes and any underwriter therefor a comfort letter in customary form.

(s) In the case of the Registered Exchange Offer, if requested by any known Participating Broker-Dealer, the Company shall cause its outside counsel to deliver to such

Participating Broker-Dealer a signed opinion in customary form in connection with the preparation of a Registration Statement and shall cause its independent public accountants to deliver to such Participating Broker-Dealer a comfort letter in customary form.

4. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof (including the reasonable fees and expenses of Cahill Gordon & Reindel, counsel to the Dealer Manager, incurred in connection with the Registered Exchange Offer) and, in the event of a Shelf Registration, shall bear or reimburse the Holders of the Notes for the reasonable fees and disbursements of one firm of counsel designated by the Holders of a majority in principal amount of the Notes to act as counsel for the Holders of the Notes in connection therewith, which counsel shall be reasonably satisfactory to the Company.

5. Indemnification. (a) The Company agrees to indemnify and hold harmless each Holder of the Notes and each person, if any, who controls such Holder within the meaning of
Section 15 of the Securities Act or Section 20 of the Exchange Act and each director, officer, employee or agent of such Holder and each director, officer, employee or agent of each such controlling person (each Holder, such controlling persons and each such director, officer, employee and agent are referred to collectively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not

limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Notes), to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action in respect thereof; provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information furnished to the

Company by or on behalf of such Holder specifically for inclusion therein; provided, further, that (A) the Company shall not be obligated to indemnify or hold harmless any Indemnified Party in respect of any loss, claim, damage, liability or action to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in a preliminary Registration Statement or preliminary prospectus if the applicable Holder failed to deliver a copy of a final prospectus or an amended or supplemented Registration Statement or prospectus that was made available by the Company to such Indemnified Party prior to the applicable sale to the person or persons asserting the claim which is the basis of indemnification and such final prospectus or amended or supplemented Registration Statement or prospectus cured such defect and (B) this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Indemnified Party. The Company will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Indemnified Party or any person who controls such Indemnified Party within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) without the prior written consent of such Indemnified Party, which consent shall not be unreasonably withheld, unless such settlement,

compromise or consent includes an unconditional release of such Indemnified Party and each such controlling person from all liability arising out of such claim, action, suit or proceeding. No Indemnified Party will settle or compromise or consent to the entry or any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought without the prior written consent of the Company (which consent will not be unreasonably withheld). The Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution (as described in such Registration Statement), their officers and directors and each person who controls such persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of the Notes if requested by such Holders.

(b) The Company agrees to indemnify and hold harmless any Participating Broker-Dealer and each person, if any, who controls such Participating Broker-Dealer within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each director, officer, employee or agent of such Participating Broker-Dealer and each director, officer, employee or agent of each such controlling person (any Participating Broker-Dealer, such controlling persons and each such director, officer, employee and agent of such

Participating Broker-Dealer or such controlling person are referred to collectively as the "Exchange Offer Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of Exchange Notes), to which each Exchange Offer Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Exchange Offer Registration Statement or prospectus contained therein or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Exchange Offer Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action in respect thereof; provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises

out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Exchange Offer Registration Statement or prospectus contained therein or in any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Participating Broker-Dealer specifically for inclusion therein; provided, further, that (A) the Company shall not be obligated to indemnify or hold harmless any Exchange Offer Indemnified Party in respect of any loss, claim, damage, liability or action to the extent that any such loss, claim, damages, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in a preliminary Registration Statement or preliminary prospectus if the applicable Participating Broker-Dealer failed to deliver a copy of, a final prospectus or an amended or supplemented Registration Statement or prospectus that was made available by the Company to such Exchange Offer Indemnified Party prior to the applicable sale to the person or persons asserting the claim which is the basis of indemnification and such final prospectus or amended or supplemented Registration Statement or prospectus cured such defect and (B) this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Exchange Offer Indemnified Party. The Company will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Exchange Offer Indemnified Party or any person who controls such Exchange Offer Indemnified Party within the meaning of Section 15 of the Securities Act or

Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) without the prior written consent of such Exchange Offer Indemnified Party, which consent shall not be unreasonably withheld, unless such settlement, compromise or consent includes an unconditional release of such Exchange Offer Indemnified Party and each such controlling person from all liability arising out of such claim, action, suit or proceeding. No Exchange Offer Indemnified Party will settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought without the prior written consent of the Company (which will not be unreasonably withheld).

(c) Each Holder of the Notes, severally and not jointly, will indemnify and hold harmless the Company, each director and officer of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such

director, officer or controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with the investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Company or any of its directors, officers or controlling persons.

(d) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party (i) will not

relieve it from any liability under paragraph (a), (b) or (c) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights or defenses and
(ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a), (b) or
(c) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be one or more legal defenses available to it and/or other

indemnified parties which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, which approval shall not be unreasonably withheld, the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances) or (ii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

(e) In circumstances in which the indemnity agreement provided for in the preceding paragraphs of this
Section 5 is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) (other than by reason of exceptions provided in such Section 5), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof), in such

proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Notes or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one

hand or such Holder or such other indemnified person, as the case may be, on the other, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, and any other equitable considerations appropriate in the circumstances. The Company and each indemnified party agrees that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (e). Notwithstanding any other provision of this
Section 5(e), the Holders of the Notes shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Notes pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay in respect of the same or a similar claim, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (e), each director, officer, employee and agent of any indemnified party and each person, if any, who controls such indemnified party within the meaning of Section 15 of the Securities Act or
Section 20 of the Exchange Act shall have the same rights to contribution as such indemnified party and each director and officer of the Company, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company.

(f) The agreements contained in this Section 5 shall survive the sale of the Notes and the Exchange Notes pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of the Indenture or any investigation made by or on behalf of any indemnified party.

6. Additional Interest Under Certain Circumstances.
(a) Additional interest at a rate of 0.5% per annum of the principal amount of the Notes (the "Additional Interest") shall be assessed as follows:

(i) if the Exchange Offer Registration Statement is not filed with the Commission by the Filing Deadline, then, commencing on the Filing Deadline, Additional Interest shall be assessed on the Notes;

(ii) if the Registered Exchange Offer is not completed or a Shelf Registration is not declared effective by the Commission by the Completion Deadline, then, commencing on the Completion Deadline, Additional

Interest shall be assessed on the Notes; and

(iii) if (A) the Company has not exchanged Exchange Notes for all the Notes validly tendered in accordance with the terms of the Registered Exchange Offer on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective, or (B) if applicable, the Shelf Registration Statement has been declared effective and it ceases to be effective prior to three years (or such later date if such three-year period is extended pursuant to Section 3(j) above or such shorter period as is provided in Section 2(b)) from the Expiration Date, then Additional Interest shall be assessed on the Notes commencing on (x) the 31st business day after such effective date in the case of (A) above, or (y) the day such Shelf Registration Statement ceases to be effective in the case of (B) above;

provided, however, that (1) upon the filing of the Exchange Offer Registration Statement or the Completion Deadline in the case of (i) above, (2) upon completion of the Registered Exchange Offer or the effectiveness of the Shelf Registration Statement in the case of (ii) above, or (3) upon the exchange of Exchange Notes for all the Notes validly tendered in accordance with the terms of the Registered Exchange Offer, or upon the effectiveness of the Shelf Registration Statement which has ceased to remain effective prior to three years (or such later date if extended pursuant to Section 3(j) above or such shorter period as is provided in Section 2(b)) from the date of original issuance of the Notes in the case of (iii) above, Additional Interest on the Notes as a result of such clause (i), (ii) or (iii) shall immediately cease to accrue.

(b) Any amount of Additional Interest due pursuant to clauses (i), (ii) or (iii) of Section 6(a) above will be payable in cash semiannually in arrears on each Interest Payment Date (as defined in the Notes), commencing with the first such Interest Payment Date occurring after any such Additional Interest commences to accrue. The amount of Additional Interest will be determined by multiplying the

Additional Interest by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period determined on the basis of a 360-day year comprised of twelve 30-day months, and the denominator of which is 360.

(c) If the Company effects the Registered Exchange Offer, the Company will be entitled to close the Registered Exchange Offer provided that the Company has accepted all the Notes theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

7. Miscellaneous.

(a) Amendments and Waivers. The provisions hereof may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of Holders of a majority in aggregate principal amount of the Notes, determined in accordance with the terms of the Indenture.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, telex, telecopy, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Notes, in accordance with
Section 10.02 of the Indenture;

(2) if to the Company, at its address as follows:

c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07970 Attention: General Counsel

All such notices and communications to the Company shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged by recipient's telecopy operator, if telecopied; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery. All such notices and communications to the Holders shall be deemed to have been duly given if given as provided in Section 10.02 of the Indenture.

(c) Successors and Assigns. The provisions hereof shall be binding upon the Company and its successors and assigns.

(d) Headings. The headings herein are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(e) Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

**EXHIBIT 4.4**

**ISP HOLDINGS INC.**

**9% Senior Notes due 2003**

**REGISTRATION RIGHTS AGREEMENT**

October 18, 1996

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, New York 10167

Ladies and Gentlemen:

ISP Holdings Inc., a Delaware corporation (the "Com- pany"), proposes to issue and sell to you (the "Initial Pur- chaser") upon the terms set forth in a purchase agreement dated October 15, 1996 (the "Purchase Agreement"), $325,000,000 aggregate principal amount at maturity of its 9% Senior Notes due 2003 (the "Notes"). The Notes will be issued pursuant to an indenture (the "Indenture") dated the date hereof between the Company and The Bank of New York, as trustee (the "Trus- tee"). As an inducement to the Initial Purchaser, the Company agrees with the Purchaser, for the benefit of the holders (the "Holders") of the Notes, including, without limitation, the Initial Purchaser, as follows:

1. Registered Exchange Offer. The Company shall prepare and, not later than the date (the "Filing Deadline") which is 60 days after the date of original issuance of the Notes (the "Issue Date"), file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the Holders of the Notes to issue and deliver to such Holders, in exchange for the Notes, a like principal amount of debt securities of the Company identical in all material respects to the Notes (the "Exchange Notes"), except for the transfer restrictions relating to the Notes. The Company shall use its best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 120 days after the Issue Date. Following the declaration of the effectiveness of the Exchange Offer Reg- istration Statement, the Company shall promptly commence the

Registered Exchange Offer, it being the objective of such Reg- istered Exchange Offer to enable each Holder of the Notes electing to exchange the Notes for Exchange Notes and (assuming that such Holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Notes in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Notes) to trade such Exchange Notes from and after their receipt without any limitations or restrictions under the Securities Act and the securities laws of the several states of the United States. In connection with such Regis- tered Exchange Offer, the Company shall take such further action, including, without limitation, appropriate filings under state securities laws, as may be necessary to realize the foregoing objective subject to the proviso of Section 3(h).

The Company shall include within the prospectus con- tained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution", which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Exchange Notes received by such broker-dealer in the Registered Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies represent the prevail- ing views of the staff of the Commission. Such "Plan of Dis- tribution" section shall also allow the use of the prospectus by all persons subject to the prospectus delivery requirements of the Securities Act, including Participating Broker-Dealers, and include a statement describing the means by which Partici- pating Broker-Dealers may resell the Exchange Notes.

The Company shall use its best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securi- ties Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Notes; provided that such period shall not exceed 180 days (or such longer period if extended pursuant to Section 3(j) below).

If, upon consummation of the Exchange Offer, the Ini- tial Purchaser holds Notes acquired by it as part of its ini- tial distribution, the Company upon the request of the Initial Purchaser shall simultaneously with the delivery of the Exchange Notes pursuant to the Registered Exchange Offer issue and deliver to the Initial Purchaser, in exchange (the "Private Exchange") for the Notes held by the Initial Purchaser, a like

principal amount of debt securities of the Company identical in all material respects to the Notes (the "Private Exchange Notes"). The Private Exchange Notes shall bear the same CUSIP number as the Exchange Notes.

In connection with the Registered Exchange Offer, the Company shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 20 business days after the date notice thereof is mailed to the Holders (or longer if required by appli- cable law);

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York;

(d) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply in all respects with all appli- cable laws.

As soon as practicable after the close of the Regis- tered Exchange Offer the Company shall:

(i) accept for exchange all the Notes tendered and not validly withdrawn pursuant to the Registered Exchange Offer;

(ii) deliver to The Bank of New York, as trustee (the "Trustee") for cancellation all the Notes so accepted for exchange; and

(iii) cause the Trustee to authenticate and deliver promptly to each Holder, Exchange Notes equal in principal amount to the Notes of such Holder so accepted for exchange.

The Exchange Notes and the Private Exchange Notes may be issued under (i) the Indenture (the "Indenture"), dated as of October 18, 1996, between the Company and the Trustee or
(ii) an indenture substantially similar to the Indenture, which

in either event will provide that the Exchange Notes will not be subject to the transfer restrictions set forth in the

Indenture and that the Exchange Notes, the Private Exchange Notes and the Notes will vote and consent together on all mat- ters as one class and that none of the Exchange Notes, the Pri- vate Exchange Notes or the Notes will have the right to vote or consent as a separate class on any matter.

2. Shelf Registration. If, (i) because of any change in law or in currently prevailing interpretations of the staff of the Commission, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not completed within 180 days of the Issue Date (the "Completion Deadline"),
(iii) the Initial Purchaser so requests with respect to the Notes or the Private Exchange Notes held by them following con- summation of the Registered Exchange Offer or (iv) any Holder is not eligible to participate in the Registered Exchange Offer or the Private Exchange or, in the case of any Holder that par- ticipates in the Registered Exchange Offer, such Holder does not receive freely tradeable Exchange Notes on the date of the exchange, the Company shall take the following actions:

(a) The Company shall as promptly as reasonably practicable file with the Commission and thereafter shall use its best efforts to cause to be declared effective a registration statement (the "Shelf Registration Statement" and, together with the Exchange Offer Registration State- ment, "Registration Statements" and each a "Registration Statement") on an appropriate form under the Securities Act relating to the offer and sale of the Notes or, if applicable, the Private Exchange Notes by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration State- ment and Rule 415 under the Securities Act (hereafter, the "Shelf Registration").

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be law- fully delivered by the Holders of the Notes or, if appli- cable, the Private Exchange Notes for a period of three years (or for such longer period if extended pursuant to
Section 3(j) below) from the Issue Date or such shorter period that will terminate when all the Notes or, if applicable, the Private Exchange Notes covered by the Shelf Registration Statement have been sold pursuant thereto; provided that the Company shall be deemed not to have used its best efforts to keep the Shelf Registration Statement effective during the requisite period if it vol-

untarily takes any action that would result in Holders of the Notes or, if applicable, the Private Exchange Notes covered thereby not being able to offer and sell the Notes

or, if applicable, the Private Exchange Notes during that period, unless such action is required by applicable law.

(c) Notwithstanding any other provisions hereof to the contrary, the Company shall cause the Shelf Registra- tion Statement and the related prospectus and any amend- ment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regu- lations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Registration Procedures. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Company shall furnish to the Initial Pur- chaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and shall obtain the consent of the Ini- tial Purchaser to any such filing, which shall not be unreasonably withheld.

(b) The Company shall give written notice to the Initial Purchaser, the Holders of the Notes and any Par- ticipating Broker-Dealer from whom the Company has received prior written notice that it will be a Partici- pating Broker-Dealer in the Registered Exchange Offer:

(i) when the Registration Statement or any amendment thereto has been filed with the Commission and when the Registration Statement or any post- effective amendment thereto has become effective;

(ii) of any request by the Commission for amend- ments or supplements to the Registration Statement or the prospectus included therein or for additional information, provided that the contents need only be disclosed to the Initial Purchaser and one counsel appointed by and on behalf of the Holders of the

Notes as described in Section 4;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Regis- tration Statement or the initiation of any proceed- ings for that purpose;

(iv) of the receipt by the Company or its legal counsel of any notification with respect to the sus- pension of the qualification of the Notes or, if applicable, the Private Exchange Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Company to make changes in the Registration Statement or the prospectus in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(c) The Company shall use its best efforts to pre- vent the issuance or obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible time.

(d) The Company shall furnish to each Holder of the Notes or, if applicable, the Private Exchange Notes included within the coverage of the Shelf Registration, without charge, at least one copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits (including those, if any, incorporated by reference).

(e) The Company shall deliver to the Initial Pur- chaser and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registra- tion Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Initial Purchaser or any such Holder requests, all exhib- its (including those incorporated by reference).

(f) The Company shall deliver to the Initial Pur- chaser and to each Holder of the Notes included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Company consents, subject to the

provisions hereof, to the use of the prospectus or any amendment or supplement thereto by the Initial Purchaser and each of the selling Holders of the Notes in connection with the offering and sale of the Notes or, if applicable, the Private Exchange Notes covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Company shall deliver to the Initial Pur- chaser, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Com- pany consents, subject to the provisions hereof, to the use of the prospectus or any amendment or supplement thereto by the Initial Purchaser and, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Notes covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Notes or, if applicable, the Private Exchange Notes, pursuant to the Shelf Registration, the Company shall register or qualify or cooperate with the Initial Purchaser and the Holders of the Notes or, if applicable, the Private Exchange Notes included therein and their respective counsel in connec- tion with the registration or qualification of the Notes or, if applicable, the Private Exchange Notes for offer and sale under the securities or blue sky laws of such jurisdictions as any Holder of the Notes reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Notes or, if applicable, the Private Exchange Notes covered by the Shelf Registration; provided that the Company shall not be required to
(i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) The Company shall cooperate with the Holders of the Notes or, if applicable, the Private Exchange Notes to facilitate the timely preparation and delivery of certifi- cates representing the Notes to be sold in the Shelf Reg-

istration free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Notes or, if applicable, the Private Exchange Notes pursuant to the Shelf Registration.

(j) Upon the occurrence of any event contemplated by
Section 3(b)(v) above, the Company shall promptly prepare a post-effective amendment to the Registration Statement or a supplement to the related prospectus or file any

other required document so that, as thereafter delivered to Holders of the Notes, the Exchange Notes or, if appli- cable, the Private Exchange Notes, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Initial Purchaser, the Holders of the Notes and any known Participating Broker-Dealer in accordance with Section 3(b)(v) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchaser, the Holders of the Notes and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement pro- vided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Initial Purchaser, the Holders of the Notes and any known Partici- pating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the appli- cable Registration Statement, the Company will provide a CUSIP number for the Notes or Exchange Notes, as the case may be, and provide the applicable trustee with printed certificates for the Notes or Exchange Notes, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Company will comply with all rules and regu- lations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its securities holders (or otherwise provide in accor- dance with Section 11(a) of the Securities Act) an earn- ings statement satisfying the provisions of Section 11(a) of the Securities Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fis-

cal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Shelf Registration, which statement shall cover such 12-month period.

(m) The Company shall cause the Indenture (or an indenture substantially identical to the Indenture in the case of a Registered Exchange Offer) to be qualified under the Trust Indenture Act of 1939, as amended.

(n) The Company may require each Holder of the Notes to be sold pursuant to the Shelf Registration Statement to

furnish to the Company such information regarding the Holder and the distribution of the Notes as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement.

(o) The Company shall enter into such customary agreements (including if requested an underwriting agree- ment in customary form) and take all such other action, if any, as any Holder of the Notes shall reasonably request in order to facilitate the disposition of the Notes pursu- ant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Com- pany shall (i) make reasonably available for inspection by the Holders of the Notes, any underwriter participating in any disposition pursuant to the Shelf Registration State- ment and any attorney, accountant or other agent retained by the Holders of the Notes or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by the Holders of the Notes or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration State- ment; provided that the foregoing inspection and informa- tion gathering shall be coordinated on behalf of the par- ties (other than the Initial Purchaser), by one counsel designated by and on behalf of such parties as described in Section 4.

(q) In the case of the Registered Exchange Offer, the Company shall (i) make reasonably available for inspection by the Initial Purchaser, any known Partici- pating Broker-Dealer and any attorney, accountant or other agent retained by the Initial Purchaser, such Partici- pating Broker-Dealer all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, direc-

tors and employees to supply all relevant information rea- sonably requested by the Initial Purchaser, such Partici- pating Broker-Dealer or any such attorney, accountant or agent in connection with the Exchange Offer Registration Statement; provided that the foregoing inspection and information gathering shall be coordinated on behalf of the parties (other than the Initial Purchaser), by one counsel designated by and on behalf of such parties as described in Section 4.

(r) In the case of any Shelf Registration, the Com- pany, if requested by any Holder of the Notes or, if applicable, the Private Exchange Notes, shall cause its counsel to deliver an opinion relating to the Notes or, if

applicable, the Private Exchange Notes, in customary form, cause its officers to execute and deliver all customary documents and certificates requested by any underwriters of the Notes or, if applicable, the Private Exchange Notes, and cause its independent public accountants to provide to the selling Holders of the Notes or, if appli- cable, the Private Exchange Notes, and any underwriter therefor a comfort letter in customary form.

(s) In the case of the Registered Exchange Offer, if requested by the Initial Purchaser or any known Partici- pating Broker-Dealer, the Company shall cause its outside counsel to deliver to the Initial Purchaser or such Par- ticipating Broker-Dealer a signed opinion in the form set forth in Section 5(c)(A) of the Purchase Agreement with such changes as are customary in connection with the prep- aration of a registration statement and shall cause its independent public accountants to deliver to the Initial Purchaser or such Participating Broker-Dealer a comfort letter in customary form.

4. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof (including the reasonable fees and expenses of Cahill Gordon & Reindel, coun- sel to the Initial Purchaser, incurred in connection with the Registered Exchange Offer) and, in the event of a Shelf Regis- tration, shall bear or reimburse the Holders of the Notes or, if applicable, the Private Exchange Notes for the reasonable fees and disbursements of one firm of counsel designated by the Holders of a majority in principal amount of the Notes and, if applicable, the Private Exchange Notes to act as counsel for the Holders of the Notes and, if applicable, the Private Exchange Notes in connection therewith, which counsel shall be reasonably satisfactory to the Company.

5. Indemnification. (a) The Company agrees to indemnify and hold harmless each Holder of the Notes, or, if applicable, the Private Exchange Notes and each person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each director, officer, employee or agent of such Holder and each director, officer, employee or agent of each such controlling person (each Holder, such controlling persons and each such director, officer, employee and agent are referred to collec- tively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Notes, or, if applicable, the Pri- vate Exchange Notes), to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or

otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reason- ably incurred by them in connection with investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action in respect thereof; provided, how- ever, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registra- tion Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Holder specifically for inclusion therein; provided, further, that (A) the Company shall not be obligated to indemnify or hold harmless any Indemnified Party in respect of any loss, claim, damage, liability or action to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in a preliminary Registration Statement or preliminary prospectus if the applicable Holder or the Initial Purchaser failed to deliver a copy of a final pro- spectus or an amended or supplemented Registration Statement or prospectus that was made available by the Company to such Indemnified Party prior to the applicable sale to the person or persons asserting the claim which is the basis of indemnifica-

tion and such final prospectus or amended or supplemented Reg- istration Statement or prospectus cured such defect and (B) this indemnity agreement will be in addition to any lia- bility which the Company may otherwise have to such Indemnified Party. The Company will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Indemnified Party or any person who controls such Indemnified Party within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or pro- ceeding) without the prior written consent of such Indemnified Party, which consent shall not be unreasonably withheld, unless such settlement, compromise or consent includes an uncondi- tional release of such Indemnified Party and each such control- ling person from all liability arising out of such claim, action, suit or proceeding. No Indemnified Party will settle or compromise or consent to the entry or any judgment in any

pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought without the prior written consent of the Company (which consent will not be unreasonably withheld). The Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distri- bution (as described in such Registration Statement), their officers and directors and each person who controls such per- sons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of the Notes if requested by such Holders.

(b) The Company agrees to indemnify and hold harm- less the Initial Purchaser, any Participating Broker-Dealer and each person, if any, who controls the Initial Purchaser or such Participating Broker-Dealer within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act and each director, officer, employee or agent of the Initial Purchaser or such Participating Broker-Dealer and each director, officer, employee or agent of each such controlling person (the Initial Purchaser,any Participating Broker-Dealer, such controlling persons and each such director, officer, employee and agent of such Participating Broker-Dealer or such controlling person are referred to collectively as the "Exchange Offer Indemnified Parties") from and against any losses, claims, damages or lia- bilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of Exchange Notes), to which each Exchange Offer Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabili-

ties or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact con- tained in the Exchange Offer Registration Statement or prospec- tus contained therein or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Exchange Offer Indemnified Parties for any legal or other expenses rea- sonably incurred by them in connection with investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action in respect thereof; provided, how- ever, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Exchange Offer Registration Statement or prospectus contained therein or in any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by

or on behalf of the Initial Purchaser, such Participating Broker-Dealer specifically for inclusion therein; provided, further, that (A) the Company shall not be obligated to indem- nify or hold harmless any Exchange Offer Indemnified Party in respect of any loss, claim, damage, liability or action to the extent that any such loss, claim, damages, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in a pre- liminary Registration Statement or preliminary prospectus if the Initial Purchaser or applicable Participating Broker-Dealer failed to deliver a copy of, a final prospectus or an amended or supplemented Registration Statement or prospectus that was made available by the Company to such Exchange Offer Indem- nified Party prior to the applicable sale to the person or per- sons asserting the claim which is the basis of indemnification and such final prospectus or amended or supplemented Registra- tion Statement or prospectus cured such defect and (B) this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Exchange Offer Indem- nified Party. The Company will not settle or compromise or consent to the entry of any judgment in any pending or threat- ened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Exchange Offer Indemnified Party or any person who controls such Exchange Offer Indemnified Party within the meaning of
Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) with- out the prior written consent of such Exchange Offer Indem- nified Party, which consent shall not be unreasonably withheld, unless such settlement, compromise or consent includes an

unconditional release of such Exchange Offer Indemnified Party and each such controlling person from all liability arising out of such claim, action, suit or proceeding. No Exchange Offer Indemnified Party will settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought without the prior written consent of the Company (which will not be unreasonably withheld).

(c) Each Holder of the Notes or, if applicable, Pri- vate Exchange Notes, severally and not jointly, will indemnify and hold harmless the Company, each director and officer of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Sec- tion 20 of the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such director, officer or controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in

any amendment or supplement thereto or in any preliminary pro- spectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omis- sion or alleged omission was made in reliance upon and in con- formity with written information furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with the investigating or defending or preparing to defend against or appearing as a third-party witness in connection with any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Company or any of its directors, officers or controlling persons.

(d) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party (i) will not relieve it from any liability under paragraph (a), (b) or (c)

above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights or defenses and
(ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a), (b) or
(c) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be enti- tled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly noti- fied, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indem- nified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those avail- able to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indem- nified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to

such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, which approval shall not be unreasonably withheld, the indemnifying party will not be lia- ble to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of inves- tigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being under- stood, however, that in connection with such action the indem- nifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances) or (ii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

(e) In circumstances in which the indemnity agree- ment provided for in the preceding paragraphs of this Section 5 is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) (other than by reason of excep- tions provided in such Section 5), each indemnifying party, in order to provide for just and equitable contribution, shall

contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabili- ties (or actions in respect thereof), in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Notes or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative ben- efits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omis- sion to state a material fact relates to information supplied by the Company on the one hand or such Holder or such other indemnified person, as the case may be, on the other, the par- ties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, and any other equitable considerations appropriate in the cir- cumstances. The Company and each indemnified party agrees that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation that does not take into account the

equitable considerations referred to in the first sentence of this paragraph (e). Notwithstanding any other provision of this Section 5(e), the Holders of the Notes or, if applicable, the Private Exchange Notes shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Notes or the Pri- vate Exchange Notes, as the case may be, pursuant to a Regis- tration Statement exceeds the amount of damages which such Holders have otherwise been required to pay in respect of the same or a similar claim, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any per- son who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (e), each director, officer, employee and agent of any indemnified party and each person, if any, who controls such indemnified party within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such indem- nified party and each director and officer of the Company, and each person, if any, who controls the Company within the mean- ing of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company.

(f) The agreements contained in this Section 5 shall survive the sale of the Notes, the Exchange Notes or, if appli- cable, the Private Exchange Notes pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of the Indenture or any investigation made by or on behalf of any indemnified party.

6. Additional Interest Under Certain Circumstances.
(a) Additional interest at a rate of 0.5% per annum of the principal amount of the Notes (the "Additional Interest") shall be assessed as follows:

(i) if the Exchange Offer Registration Statement is not filed with the Commission by the Filing Deadline, then, commencing on the Filing Deadline, Additional Inter- est shall be assessed on the Notes;

(ii) if the Registered Exchange Offer is not com- pleted or a Shelf Registration is not declared effective by the Commission by the Completion Deadline, then, com- mencing on the Completion Deadline, Additional Interest shall be assessed on the Notes; and

(iii) if (A) the Company has not exchanged Exchange Notes for all the Notes validly tendered in accordance with the terms of the Registered Exchange Offer on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared

effective, or (B) if applicable, the Shelf Registration Statement has been declared effective and it ceases to be effective prior to three years (or such later date if such three-year period is extended pursuant to Section 3(j) above or such shorter period as is provided in Section 2(b)) from the Issue Date, then Additional Inter- est shall be assessed on the Notes commencing on (x) the 31st business day after such effective date in the case of (A) above, or (y) the day such Shelf Registration State- ment ceases to be effective in the case of (B) above;

provided, however, that (1) upon the filing of the Exchange Offer Registration Statement or the Completion Deadline in the case of (i) above, (2) upon completion of the Registered Exchange Offer or the effectiveness of the Shelf Registration Statement in the case of (ii) above, or (3) upon the exchange of Exchange Notes for all the Notes validly tendered in accor- dance with the terms of the Registered Exchange Offer, or upon the effectiveness of the Shelf Registration Statement which has ceased to remain effective prior to three years (or such later date if extended pursuant to Section 3(j) above or such shorter period as is provided in Section 2(b)) from the date of origi-

nal issuance of the Notes in the case of (iii) above, Addi- tional Interest on the Notes as a result of such clause (i), (ii) or (iii) shall immediately cease to accrue.

(b) Any amount of Additional Interest due pursuant to clauses (i), (ii) or (iii) of Section 6(a) above will be payable in cash semiannually in arrears on each Interest Pay- ment Date (as defined in the Notes), commencing with the first such Interest Payment Date occurring after any such Additional Interest commences to accrue. The amount of Additional Inter- est will be determined by multiplying the Additional Interest by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period determined on the basis of a 360-day year comprised of twelve 30-day months, and the denominator of which is 360.

(c) If the Company effects the Registered Exchange Offer, the Company will be entitled to close the Registered Exchange Offer provided that the Company has accepted all the Notes theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

7. Miscellaneous.

(a) Amendments and Waivers. The provisions hereof may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of Holders of a majority in aggregate principal amount of the Notes, determined in accordance with the terms of the Indenture.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, telex, telecopy, or air cou- rier which guarantees overnight delivery:

(1) if to a Holder of the Notes, in accordance with
Section 10.02 of the Indenture, with a copy to the Initial Purchaser as follows:

Bear, Stearns & Co. Inc. 245 Park Avenue
New York, New York 10167 Attention: Michael L. Offen

with a copy to:

Cahill Gordon & Reindel 80 Pine Street
New York, New York 10005 Attention : Michael A. Becker, Esq.

(2) if to the Initial Purchaser, at the addresses specified in Section 7(b)(1);

(3) if to the Company, at its address as follows:

c/o ISP Management Company Inc. 1361 Alps Road
Wayne, New Jersey 07970 Attention: General Counsel

All such notices and communications to the Company shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged by recipi- ent's telecopy operator, if telecopied; and on the day deliv- ered, if sent by overnight air courier guaranteeing next day delivery. All such notices and communications to the Holders shall be deemed to have been duly given if given as provided in
Section 10.02 of the Indenture.

(c) Successors and Assigns. The provisions hereof shall be binding upon the Company and its successors and assigns.

(d) Headings. The headings herein are for conve- nience of reference only and shall not limit or otherwise affect the meaning hereof.

(e) Severability. If any one or more of the provi- sions contained herein, or the application thereof in any

circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

If the foregoing is in accordance with your under- standing of our agreement, please sign and return to the Com- pany a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Initial Purchaser and the Company in accordance with its terms.

Very truly yours

**ISP HOLDINGS INC.**

*By:/s/ James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

Confirmed and accepted as of
the date first above written:

**BEAR, STEARNS & CO. INC.**

*By:/s/ J. Andrew Bugas*
*---*
*Name: J. Andrew Bugas*
*Title: Senior Managing Director*

**EXHIBIT 10.6**
**AMENDMENT**

AMENDMENT No. 5, dated as of October 18, 1996, to AMENDED AND RESTATED MANAGEMENT AGREEMENT dated as of March 3, 1992 (the "Agreement"), as previously amended by Amendments dated as of January 1, 1994, May 31, 1994, December 31, 1994 and December 31, 1995, among GAF Corporation ("GAF"), ISP Holdings Inc. ("ISP Holdings"), G-I Holdings Inc. ("G-I Holdings"), G Industries Corp. ("Industries"), Merick Inc. ("Merick"), GAF Chemicals Corporation ("Chemicals"), GAF Building Materials Corporation ("Building Materials"), GAF Broadcasting Company, Inc. ("Broadcasting"), Building Materials Corporation of America ("BMCA"), U.S. Intec, Inc. ("USI"), and International Specialty Products Inc. (the "Company").

WHEREAS, ISP Holdings desires to utilize the services provided by the Company under the Agreement, and the Company desires to provide to ISP Holdings such services;

NOW, THEREFORE, the parties hereby amend the Agreement as follows:

1. Section 3 of the Agreement is amended, effective as of the date hereof, by adding the following thereto:

"In addition, ISP Holdings shall pay the Company a management fee at the rate of $8,333.33 per month for each calendar month (or portion thereof) during which the Company provides Services to ISP Holdings hereunder."

2. Effective as of the date hereof, ISP Holdings shall become to a party to the Agreement, and shall constitute a member of the "Overhead Group" (as defined in the Agreement).



G-I_EPA0009603

3. In all other respects, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

GAF CORPORATION
ISP HOLDINGS INC.
G-I HOLDINGS INC.
G INDUSTRIES CORP.
MERICK INC.
GAF CHEMICALS CORPORATION
GAF BUILDING MATERIALS CORPORATION
GAF BROADCASTING COMPANY, INC.
BUILDING MATERIALS CORPORATION
OF AMERICA
U.S. INTEC, INC.

By: /s/James P. Rogers
---
Name: James P. Rogers
Title: Senior Vice President

INTERNATIONAL SPECIALTY
PRODUCTS INC.

By: /s/James P. Rogers
---
Name: James P. Rogers
Title: Senior Vice President

**EXHIBIT 10.7**

# INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT, dated as of October 18, 1996, among GAF Corporation, a Delaware corporation (including its successors "GAF"), G-I Holdings Inc., a Delaware corporation (including its successors "G-I Holdings"), G Industries Corp., a Delaware corporation (including its successors "G Industries"), GAF Chemicals Corporation, a Delaware corporation (including its successors "GCC"), and ISP Holdings Inc., a Delaware corporation (including its successors "ISP Holdings").

**W I T N E S S E T H**

WHEREAS, GAF intends to effect a series of transactions (the "Spin Off Transactions") involving its subsidiaries and certain assets of its subsidiaries that will result, among other things, in the capital stock of ISP Holdings being distributed to the stockholders of GAF;

WHEREAS, the principal components of the Spin Off Transactions and the conditions to the effectiveness thereof are described in that certain Offering Memorandum of ISP Holdings dated October 15, 1996 (the "Offering Memorandum" and capitalized terms used herein not otherwise defined herein having the meanings assigned to them therein) relating to ISP Holdings' 9% Senior Notes due 2003;

WHEREAS, GAF, G-I Holdings, G Industries, GCC, on the one hand, and ISP Holdings, on the other hand, desire to indemnify and hold the other harmless with respect to certain liabilities following consummation of the Spin Off Transactions.

NOW THEREFORE, in consideration of the mutual promises and subject to the terms and conditions contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

## ARTICLE I.

## DEFINITIONS

1.1 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Accrued Tax Liabilities: all Liabilities of ISP Holdings and its Post Spin Subsidiaries relating to Taxes.

Affiliate: with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person; provided, however, that for purposes of this Agreement, ISP Holdings and its Post Spin

Subsidiaries shall not be deemed to be Affiliates of any member of the GAF Group and no member of the GAF Group shall be deemed to be an Affiliate of ISP Holdings and its Post Spin Subsidiaries.

Asbestos Liabilities: any claim, demand, Liability or obligation, known or unknown, contingent or otherwise, accrued or unaccrued, for which GAF or any Affiliate (which solely for purposes of this definition shall include ISP Holdings, its Post Spin Subsidiaries and their respective Affiliates) thereof is responsible or alleged to be responsible relating to, directly or indirectly, the manufacture, sale, distribution, use or installation of asbestos or asbestos-containing products or materials, whether in respect of personal injury or property damage and all investigative and defense costs related thereto whether or not reimbursable by insurance.

Claim of Environmental Liability: any claims or demands asserted, and any Liabilities, obligations, judgments, costs, penalties, expenses or damages known or unknown, disputed or undisputed, relating to, resulting from or arising from, directly or indirectly, any of the following matters for which any member of the GAF Group is liable or responsible: (a) any suit, action, administrative proceeding, notice, investigation or demand asserted or threatened by any third party, including any Governmental Authority, arising under or relating, directly or indirectly, to any Environmental Law; (b) requirements imposed by any Environmental Law, including costs of remediation, restoration or costs incurred in complying with Environmental Laws; or (c) personal injury, bodily injury or property damage as a result of the presence or Release of Hazardous Substances; and all investigative and defense costs related thereto whether or not reimbursable by insurance.

Environmental Law: any and all statutes, ordinances, rules, regulations, orders, directives or requirements of any Governmental Authority which regulate or govern or are related to Hazardous Substances in any way.



G-I_EPA0009606

Environmental Matter: matters or circumstances relating to, directly or indirectly, any actual or potential Claim of Environmental Liability.

GAF Group: means GAF, its Post Spin Subsidiaries and their respective Affiliates.

GAF Liabilities: all of the Liabilities of the GAF Group (other than the Spin Off Tax Liabilities), including Asbestos Liabilities, Environmental Matters, Plan Liabilities, Litigation Matters and Liabilities for Taxes of the GAF Group, whether arising before, during or after the Spin Off Transactions.

GAF Plan: any bonus, deferred compensation, incentive compensation, savings, stock purchase, pension, profit sharing or retirement plan, or any

similar plan, program or arrangement, whether formal or informal and whether legally binding or not, maintained or contributed to by any member of the GAF Group.

Governmental Authority: any nation, government or legislature or any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory, taxation or administrative functions of or pertaining to government.

Hazardous Substance: any element, compound, mixture, substance, toxic substance, hazardous substance, hazardous materials, toxic waste, hazardous waste, pollutant or contaminant including, without limitation, asbestos and asbestos-containing products, as defined or regulated by: Environmental Laws, including without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, 42 U.S.C.
Section 9601 et seq., (CERCLA), the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., (RCRA), the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq., (CAA), the Emergency Planning and Community Right to Know Act, as amended, 42 U.S.C. Section 11001 et seq., (EPCRKA), the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300 et seq. (SDWA), the Pollution Prevention Act of 1990, as amended, 42 U.S.C. Section 13101 et seq. (PPA), the Clean Water Act, as amended, 33 U.S.C. Section 1251 et seq. (CWA), the Federal Insecticide, Fungicide and Rodenticide Act, as amended, 7 U.S.C.
Section 136 et seq. (FIFRA), the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq., (TSCA), and all state and local statutes, laws, or ordinances corresponding

to the foregoing federal statutes, or relating to any environmental matter, together with any amendments to any of the foregoing state, local and federal statutes, laws, ordinances, all regulations promulgated under the foregoing state, local and federal statutes, laws or ordinances, all substitutions of the foregoing state, local and federal statutes, laws or ordinances, as well as words of similar connotation, import or meaning referred to in any other federal, state or local statutes, law, ordinance, rule or regulation concerning the environment.

Indemnifiable Losses: with respect to any claim by an Indemnitee for indemnification pursuant to Article II, any and all losses, liabilities, damages, claims, demands, judgments or settlements of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, including all reasonable costs and expenses (legal, accounting or otherwise as such costs are incurred) relating thereto, suffered by such Indemnitee with respect to such claim.

Indemnifying Party: a Person who or which is obligated under this Agreement to provide indemnification.

Indemnitee: a Person who may seek indemnification under this Agreement.

ISP: International Specialty Products Inc., a Delaware corporation.

ISP Holdings Liabilities: (i) all Liabilities of ISP and its Subsidiaries, (ii) all Liabilities relating to the Senior Notes, the Series B Notes, the Exchange Offer Notes and any exchange notes issued by ISP Holdings in exchange for the Exchange Offer Notes, (iii) all other Liabilities reflected in the pro forma consolidated balance sheet of ISP Holdings or the notes thereto as set forth in the Offering Memorandum and (iv) the Accrued Tax Liabilities, and other than, in each case, the GAF Liabilities and the Spin Off Tax Liabilities.

Liabilities: all debts, liabilities, expenses, costs and obligations of any kind, whether accrued, fixed, contingent, liquidated, unliquidated, or reflected on a balance sheet and whenever arising, whether or not covered by insurance.



G-I_EPA0009608

Litigation Matters: all matters relating to claims, actions, suits or other proceedings, whether at law or in equity, pending at the Spin Off Date against any member of the GAF Group and all such matters that arise or commence after the Spin Off Date with respect to actions or omissions by a member of the GAF Group prior to the Spin Off Date, other than a claim, action, suit or other proceeding commenced after the Spin Off Date against ISP Holdings, its Post Spin Subsidiaries or any of their respective Affiliates to the extent relating to an ISP Holdings Liability.

Person: an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization or a government or any department or agency thereof.

Plan Liabilities: all Liabilities relating to a GAF Plan. but only to the extent relating to employees or former employees of the GAF Group.

Post Spin Subsidiaries: with respect to any Person, a Subsidiary of such Person after giving effect to the Spin Off Transactions.

Release: any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including, without limitation, the movement of Hazardous Substances through ambient air, soil, surface water, ground water, wetlands, land or subsurface strata.

Representative: with respect to any Person, any of such Person's directors, officers, employees, agents, consultants, advisors, accountants,

counsel or representatives.

Spin Off Date: the date on which the Spin Off Transactions are effected.

Spin Off Tax Liabilities: any Liability for Taxes (net of any Tax benefits realized by an Indemnitee) that may be payable with respect to the Spin Off Transactions.

Subsidiary: with respect to any specified Person, any corporation or other legal entity of which such Person or any of its Subsidiaries controls or owns, directly or indirectly, more than 50% of the stock or other equity



G-I_EPA0009609

interest entitled to vote on the election of members to the board of directors or similar governing body.

Tax: all taxes of any kind whatsoever, including federal, state, local or foreign taxes, levies, imposts, duties, licenses, registration fees and charges of any nature whatsoever, unemployment taxes and social security taxes, including interest and penalties thereon.

Third Party Claim: any claim, suit, arbitration inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal asserted by a Person who is not an Indemnitee.

## ARTICLE II

## EFFECTIVENESS, ASSUMPTION AND INDEMNIFICATION

2.1 Effectiveness and Survival of Agreement. This Agreement shall only be effective if, and shall have no force and effect unless, the Spin Off Transactions are consummated. In the event that the Spin Off Transactions are consummated, all covenants and agreements of the parties contained in this Agreement shall survive the Spin Off Date.

2.2 Indemnification and Release.

(a) (i) GAF and G-I Holdings shall jointly and severally indemnify, defend and hold harmless ISP Holdings, its Post Spin Subsidiaries and each of their respective present and future Representatives and Affiliates from and against all GAF Liabilities and any and all Indemnifiable Losses of ISP Holdings, its Post Spin Subsidiaries and each of their respective Representatives and Affiliates arising out of or due to, directly or indirectly, the GAF Liabilities, whether such GAF Liabilities arose before, or arise after, the Spin Off Date.

(ii) GAF, G-I Holdings, G Industries and GCC shall jointly and severally indemnify, defend and hold harmless ISP Holdings, its Post Spin Subsidiaries and each of their respective Representatives and Affiliates from and against all Spin Off Tax Liabilities and any and all Indemnifiable Losses of ISP Holdings, its Post Spin Subsidiaries and each of their respective Representatives



G-I_EPA0009610

and Affiliates arising out of or due to, directly or indirectly, the Spin Off Tax Liabilities.

(iii) GAF, G-I Holdings, G Industries and GCC hereby release and discharge ISP Holdings, its Post Spin Subsidiaries and their respective Representatives and Affiliates from all Liabilities for which ISP Holdings is indemnified under Section 2.2(a)(i) or (ii) of this Agreement.

(b) (i) ISP Holdings shall indemnify, defend and hold harmless the GAF Group and each of their respective Representatives and Affiliates from and against all ISP Holdings Liabilities and any and all Indemnifiable Losses of the GAF Group and each of their respective Representatives and Affiliates arising out of or due to, directly or indirectly, the ISP Holdings Liabilities, whether such ISP Holdings Liabilities arose before, or arise after, the Spin Off Date.

(ii) ISP Holdings hereby releases and discharges the GAF Group and each of their Representatives and Affiliates from all Liabilities for which the GAF Group is indemnified under Section 2.2(b)(i) of this Agreement.

2.3 Procedure for Indemnification.

(a) If an Indemnitee shall receive notice of the assertion of any Third Party Claim with respect to which an Indemnifying Party may be obligated under this Agreement to provide indemnification, such Indemnitee shall give such Indemnifying Party prompt notice thereof after becoming aware of such Third Party Claim; provided, however, that the failure of any Indemnitee to give notice as provided in this Section 2.3 shall not relieve any Indemnifying party of its obligations under this Article II, except to the extent that such Indemnifying Party is materially prejudiced thereby. Such notice shall describe the Third Party Claim in reasonable detail, and, if practicable, shall indicate the estimated amount of the Indemnifiable Loss that has been or may be sustained by such Indemnitee.

(b) The Indemnifying Party, at such Indemnifying Party's own expense and through counsel chosen by such Indemnifying Party (which counsel shall be reasonably satisfactory to the Indemnitee), may elect to defend any Third Party Claim. If the Indemnifying Party elects to defend a Third Party Claim, it shall, within 30 Business

Days after receiving notice of such Third Party Claim (or sooner, if the nature of such Third Party Claim so requires), notify the Indemnitee of its intent to do so, and such Indemnitee shall cooperate in the defense of such Third Party Claim. Such Indemnifying Party shall pay such Indemnitee's reasonable out-of-pocket expenses incurred in connection with such cooperation. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnifying Party shall not be liable to such Indemnitee under this Article II for any legal or other expenses subsequently incurred by such Indemnitee in connection with the defense thereof. If an Indemnifying Party elects not to defend against a Third Party Claim, or fails to notify an Indemnitee of its election as provided in this Section 2.3, such Indemnitee may defend, compromise and settle such Third Party Claim; provided, however, that no such Indemnitee may compromise or settle any such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the Indemnifying Party shall not, without the written consent of the Indemnitee, which consent shall not be unreasonably withheld, settle or compromise any Third Party Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnitee of a written release from all Liabilities in respect of such Third Party Claim.

(c) In the event an Indemnitee should have a claim (including any potential claim) against any Indemnifying Party under this Article II that does not involve a Third Party Claim, the Indemnitee shall give such Indemnifying Party prompt notice of such claim; provided, however, that the failure of any Indemnitee to give notice as provided in this Section 2.3 shall not relieve any Indemnifying Party of its obligations under this Article II, except to the extent that such Indemnifying Party is materially prejudiced thereby. Such notice shall describe the claim (or potential claim) in reasonable detail, and, if practicable, shall indicate the estimated amount of the Indemnifiable Loss that has been or may be sustained by such Indemnitee. If the Indemnifying Party does not notify the Indemnitee within 30 Business Days following its receipt of such notice that the Indemnifying Party disputes its liability to the Indemnitee under this Article II, such claim specified by the Indemnitee in such notice shall be

conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of such liability to the Indemnitee within five days after expiration of such 30 Business Day period. If the Indemnifying Party timely disputes its liability with respect to such claim, the Indemnifying Party and the Indemnitee shall proceed in good faith to negotiate a resolution of such dispute.

2.4 Remedies Cumulative. The remedies provided in this Article II shall be cumulative and shall not preclude assertion by an Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

## ARTICLE III

## MISCELLANEOUS

Section 3.1 Notices. All communications hereunder will be in writing and, if sent to ISP Holdings, will be mailed, delivered or telecopied and confirmed to it at ISP Holdings Inc., c/o ISP Management Company Inc., 1361 Alps Road, Wayne, New Jersey 07470, Attention: Secretary, telecopy number 201-628-4090, and if sent to GAF, G-I Holdings, G Industries or GCC, will be mailed, delivered or telecopied and confirmed to it at GAF Corporation, 1361 Alps Road, Wayne, New Jersey 07470, Attention: Secretary, telecopy number 201-628-4090.

Section 3.2 Counterparts. This Indemnification Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all of such counterparts shall together constitute one instrument.

Section 3.3 Governing Law. This Indemnification Agreement shall be construed in accordance with the laws of the State of New York.

Section 3.4 Successors. This Indemnification Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the parties hereto.



G-I_EPA0009613

IN WITNESS WHEREOF, the parties hereto have entered into this Indemnification Agreement as of the date first above written.

**ISP HOLDINGS INC.**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**GAF CORPORATION**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**G-I HOLDINGS INC.**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**G INDUSTRIES CORP.**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**GAF CHEMICALS CORPORATION**

*By: /s/James P. Rogers*
*---*
*Name: James P. Rogers*
*Title: Senior Vice President*

**EXHIBIT 10.14**

**GAF CORPORATION**
1361 Alps Road
Wayne, New Jersey 07470

Samuel J. Heyman
Chairman and Chief Executive Officer

October 15, 1996

Dr. Peter Heinze
3 Quail Hill Road
Pittsburgh, PA 15238

Dear Peter:

I am pleased to confirm our offer and (with your counter- signature to this letter) your acceptance of the position of President and Chief Operating Officer, reporting to me, and member of the Board of Directors, of International Specialty Products Inc. ("ISP"). This offer is contingent upon approval of your appointment and this Agreement by the ISP Board of Directors, the completion of final reference checks, and the execution of the enclosed Confidentiality, Invention and Non-Competition and Employee Arbitration Agreements. Upon receipt of your counter-signature to this letter, I will recommend that the Board approve your appointment and this Agreement.

The details of our understanding are as follows:

1. BASE SALARY. Your initial base salary will be $375,000 per year, which is a monthly rate of $31,250.00. Your salary will be reviewed on our common merit increase date of April 1, 1997 and any increase will be prorated for 1997.

2. INCENTIVE COMPENSATION. You will be eligible to participate in ISP's Executive Incentive Compensation ("EIC") program. A brief summary of the plan is attached for your information. You will be paid EIC at the same time as EIC is paid to other participants in the ISP EIC program. With respect to EIC:

(a) For 1996 we will provide you with a bonus equal to one half of the difference between $385,000 and the bonus you receive from your employer in respect of services performed for them by you in 1996.

(b) For years 1997 and thereafter, your EIC will be based

on your performance, as well as the performance of ISP. You acknowledge that, except as provided in clause (a) above, there will be no guaranteed EIC; however, assuming that you and ISP perform as we hope and expect, you will have an EIC target of

80% of your base salary with an opportunity to receive up to 150% of your base salary.

3. STOCK OPTIONS. I will recommend to the Compensation and Pension Committee of the Board of Directors (the "Committee") that, at the first meeting (the "Meeting") of the Committee after the commencement of your employment, you be granted non-qualified options to purchase 125,000 shares of ISP's common stock (the "Grant") under the terms of the ISP 1991 Incentive Plan for Key Employees (the "Plan"). Thereafter, you will be eligible for additional awards under the Plan beginning in June, 1998. A copy of the Plan as currently in effect is attached to this Agreement. In addition, I will recommend at the Meeting that you be granted 31,250 shares of Future Leadership Options ("Future Leadership Grant", together with the Grant, referred to as the "Grants"), which will have an exercise price equal to the greater of (1) the closing market price on the day of grant less $5.00 or (2) 50% of such closing market price. Notwithstanding the terms of the Plan, the vesting of options issued to you pursuant to the 125,000 share Grant and the 31,250 share Future Leadership Grant, and only those Grants, will accelerate upon a "Change in Control" of ISP. For the purpose of this letter, Change in Control shall have the meaning ascribed to such term in the Plan.

Furthermore, so long as you are an employee of ISP in good standing on the date of each grant, you will be eligible for additional grants of Future Leadership Options of:

| | |
|---|---|
| 18,750 shares | January 1998 |
| 18,750 shares | January 1999 |
| 18,750 shares | January 2000 |
| 18,750 shares | January 2001 |
| 18,750 shares | January 2002 |

4. ISP BENEFIT PLANS. You will be eligible to participate in ISP benefit plans and programs, including medical, dental, group life insurance, long-term disability, business travel accident, vacation and the GAF Corporation Capital Accumulation Plan ("GAFCAP"), in the same manner and to the same extent as other ISP executives.

5. RELOCATION. You will, within six months after the first day of your employment by ISP (the "Employment Date"), relocate your principal residence either to New York, New York, or to a location in New Jersey within 35 miles of 1361 Alps Road, Wayne, New Jersey, whether through the execution of a contract to purchase an existing house or to construct a new home. ISP will reimburse you for the following items only: reasonable temporary living expenses for up to 90 days, reasonable legal, mortgage and

appraisal fees and survey costs relating to the purchase of your new home, and reasonable moving expenses (of a moving company selected by ISP), together with a tax gross-up for such items, all as in accordance with ISP Relocation Policy. Simultaneously, with your purchase of a home as provided in the first sentence of this Paragraph, ISP (or its designee) shall purchase your Pittsburgh, PA home for $715,000 in cash, upon terms and conditions customary for the purchase and sale of residential homes in Pittsburgh, PA, provided, that the purchase of your new home occurs within six months of the Employment Date.

6. VACATION. You will be entitled to four weeks of paid vacation per year.

7. COMPANY AUTOMOBILE. ISP will provide you with a leased automobile for your business and personal use in accordance with company policy and Internal Revenue Service regulations.

8. BUSINESS TRAVEL. Within the United States, all business travel by air will be coach class. Overseas business travel will generally be business class.

9. TERMINATION BY ISP OTHER THAN FOR CAUSE. In the event ISP terminates your employment at any time other than for cause, ISP will continue to pay you your then base salary, on a semi-monthly basis, from the last date of your employment until the last day of the severance period (the "Severance Period"):

| Termination Date | Severance Period |
|---|---|
| Before the first anniversary of the Employment Date | Eighteen Months |
| On or after the first anniversary of Employment Date, and before the third anniversary of the Employment Date | Twelve Months |
| On or after the third anniversary of Employment Date | Period then applicable to ISP executive officers generally |

In addition, in the event of a "Change in Control" of ISP and either
(a) ISP or its successor terminates your employment, other than for cause, within twelve (12) months following the change in control, or
(b) you suffer, within twelve (12) months following the change in control, a substantial and meaningful reduction, other than for cause, in your then current responsibilities or

your then current salary and benefits, and you terminate your employment with ISP or its successor within sixty (60) days of such reduction in responsibilities or salary and benefits, you will continue to receive your base salary, on a semi-monthly basis, in lieu of any other severance, for twenty-four months following such termination.

If at any time during the Severance Period you accept new employment at a base salary equal to or higher than your base salary on the date of termination of your employment by ISP, the severance payments will cease at the effective date of such new employment. If at any time during the Severance Period you accept new employment at a base salary less than that in effect on the date of the termination of your employment by ISP, or perform consulting services in which you receive compensation, the severance payments will be reduced by the amount of salary or consulting compensation you receive. You will be eligible to participate in ISP's medical and dental plans under the same terms as applicable to active employees of ISP, unless you commence new employment during the Severance Period, in which event

such eligibility will terminate on the first date of such new employment; however, during the Severance Period you will no longer be eligible to participate in GAFCAP and ISP will not provide, and you will not be eligible for, life insurance, long term disability, business travel accident or any other insurance or to participate in any other benefit plans or programs that ISP provides or makes available to its employees. In no event will ISP have any obligation to pay you any amount beyond the last day of the Severance Period, irrespective of why your employment with ISP is terminated. Furthermore, ISP shall have no obligation to make any termination benefit available to you hereunder unless you execute at the request of ISP a Separation and Release Agreement on terms reasonably requested by ISP.

10. COMMENCEMENT OF EMPLOYMENT. You agree to commence your employment with ISP no later than November 18, 1996.

11. NO CONTRACT OF EMPLOYMENT. You acknowledge that nothing in this Agreement creates any obligation on the part of ISP to continue to employ you in any capacity; rather, you are an employee at will and your employment by ISP may be terminated at any time with or without cause, provided however, that, following such termination, ISP will remain responsible for any obligations ISP has expressly assumed in this Agreement as a result of the termination of your employment.

Peter, I am excited that you will be joining our organization. We are confident that you will play a key hands-on leadership role and will make an invaluable contribution to ISP's future success.

Sincerely,

*/s/ Samuel J. Heyman*

*SJH/ls*

**AGREED AND ACCEPTED:**

*/s/ Dr. Peter R. Heinze* *10/16/96*
---
*Dr. Peter R. Heinze*

**Exhibit 12**

# ISP HOLDINGS INC.
## RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)

(Thousands, except ratio data)

| | YEAR ENDED DECEMBER 31, | | | | | NINE MONTHS ENDED | | PRO FORMA | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | Oct. 1, 1995 | Sept. 29, 1996 | Year 1995 | Nine Months 1995 | Nine Months 1996 |
| Income from Continuing Operations Before Income Taxes and Extraordinary Items | 75,682 | 85,782 | 49,823 | 72,484 | 106,102 | 81,205 | 98,202 | 60,352 | 46,892 | 63,889 |
| Add: | | | | | | | | | | |
| Interest Expense | 52,693 | 30,595 | 24,500 | 28,676 | 33,091 | 24,821 | 21,879 | 78,841 | 59,134 | 56,192 |
| Company's 50% Share of Joint Venture Taxes | 5,603 | 6,434 | 1,878 | 1,191 | 5,038 | 3,026 | 4,041 | 5,038 | 3,026 | 4,041 |
| Company's 50% Share of Joint Venture Interest Expense | 35 | 16 | 50 | 6 | 8 | 6 | 4 | 8 | 6 | 4 |
| Interest Component of Rental Expense | 1,763 | 2,015 | 2,333 | 2,466 | 2,715 | 2,036 | 2,138 | 2,715 | 2,036 | 2,138 |
| Earnings Available for Fixed Charges | 135,776 | 124,842 | 78,584 | 104,823 | 146,954 | 111,094 | 126,264 | 146,954 | 111,094 | 126,264 |
| Fixed Charges: | | | | | | | | | | |
| Interest Expense | 52,693 | 30,595 | 24,500 | 28,676 | 33,091 | 24,821 | 21,879 | 78,841 | 59,134 | 56,192 |
| Add: | | | | | | | | | | |
| Capitalized Interest | 205 | 414 | 901 | 428 | 400 | 383 | 118 | 400 | 383 | 118 |
| Company's 50% Share of Joint Venture Interest Expense | 35 | 16 | 50 | 6 | 8 | 6 | 4 | 8 | 6 | 4 |
| Interest Component of Rental Expense | 1,763 | 2,015 | 2,333 | 2,466 | 2,715 | 2,036 | 2,138 | 2,715 | 2,036 | 2,138 |
| Total Fixed Charges | 54,696 | 33,040 | 27,784 | 31,576 | 36,214 | 27,246 | 24,139 | 81,964 | 61,559 | 58,452 |
| Ratio of Earnings to Fixed Charges | 2.48 | 3.78 | 2.83 | 3.32 | 4.06 | 4.08 | 5.23 | 1.79 | 1.80 | 2.16 |

**EXHIBIT 21**

**LIST OF SUBSIDIARIES**

| COMPANY | STATE OF INCORPORATION |
|---|---|
| Belleville Realty Corp. | Delaware |
| International Specialty Products Inc.(1) | Delaware |
| ISP Management Company, Inc. | Delaware |
| ISP Chemicals Inc. | Delaware |
| ISP Newark Inc. | Delaware |
| ISP Van Dyk Inc. | Delaware |
| ISP Fine Chemicals Inc. | Delaware |
| ISP Minerals Inc. | Delaware |
| ISP Filters Inc. | Delaware |
| ISP Technologies Inc. | Delaware |
| ISP Mineral Products Inc. | Delaware |
| ISP Environmental Services Inc. | Delaware |
| Bluehall Incorporated | Delaware |
| Verona Inc. | Delaware |
| ISP Realty Corporation | Delaware |
| ISP Real Estate Company, Inc. | Delaware |
| ISP Investments Inc. | Delaware |
| ISP Global Technologies Inc. | Delaware |
| ISP International Filters Inc. | Delaware |
| ISP International Corp. | Delaware |
| ISP (Puerto Rico) Inc. | Delaware |
| ISP Andina, C.A. | Venezuela |
| ISP Argentina S.A. | Argentina |
| ISP Asia Pacific Pte Ltd. | Singapore |
| ISP (Australasia) Pte Ltd. | Australia |
| ISP (Belgium) N.V. | Belgium |
| ISP (Belgium) International N.V. | Belgium |
| ISP do Brasil Ltda. | Brazil |
| ISP (Canada) Inc. | Canada |
| ISP Ceska Republika Spol, S.R.O. | Czech. Rep. |

(1) Approximately 83% of the common stock of International Specialty

**Products Inc. is owned by ISP Holdings Inc..**

List of Subsidiaries

| COMPANY | STATE OF INCORPORATION |
|---|---|
| ISP (China) Limited | China |
| ISP Filters (Canada) Inc. | Canada |
| ISP Filters Pte Ltd. | Singapore |
| ISP Global Operations (Barbados) Inc. | Barbados |
| ISP Global Technologies (Belgium) S.A. | Belgium |
| ISP Global Technologies (Germany) Holding GmbH | Germany |
| ISP Global Technologies Deutschland GmbH | Germany |
| HPF-Hanseatic Filterprodukte GmbH | Germany |
| International Specialty Products ISP (France) S.A. | France |
| ISP Ireland(2) | Ireland |
| ISP Freight Services N.V. | Belgium |
| ISP (Great Britain) Co. Ltd. | England |
| ISP (Hong Kong) Limited | Hong Kong |
| ISP (Italia) S.r.l. | Italy |
| ISP (Japan) Ltd. | Japan |
| ISP (Korea) Limited | Korea |
| ISP Mexico, S.A. de C.V. | Mexico |
| ISP (Norden) A.B. | Sweden |
| ISP (Osterreich) Ges.m.g.h. | Austria |
| ISP (Polska) Sp.z. o.p. | Poland |
| ISP Sales (Barbados) Inc. | Barbados |
| ISP Sales (U.K.) Limited | Ireland |
| ISP (Singapore) Pte Ltd. | Singapore |
| ISP (Switzerland) A.G. | Switzerland |
| ISP (Thailand) Co., Ltd. | Thailand |
| Chemfields Pharmaceuticals Private Limited(3) | India |

(2) 25% owned by ISP (Italia) S.r.l.; 75% owned by International Specialty Products ISP (France) S.A.

(3) 50.1% owned by ISP Global Technologies Inc.

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

**ISP Holdings Inc.:**

As independent public accountants, we hereby consent to the use of our report and all references to our firm included in or made a part of this registration statement.

*/s/ ARTHUR ANDERSEN LLP*
*ARTHUR ANDERSEN LLP*

*Roseland, New Jersey*
*December 13, 1996*

**EXHIBIT 25.1**

---

**FORM T-1**

**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**STATEMENT OF ELIGIBILITY**
**UNDER THE TRUST INDENTURE ACT OF 1939 OF A**
**CORPORATION DESIGNATED TO ACT AS TRUSTEE**

**CHECK IF AN APPLICATION TO DETERMINE**
**ELIGIBILITY OF A TRUSTEE PURSUANT TO**
SECTION 305(b)(2) [__]

---

**THE BANK OF NEW YORK**
(Exact name of trustee as specified in its charter)

| | |
|---|---|
| New York<br>(State of incorporation<br>if not a U.S. national bank) | 13-5160382<br>(I.R.S. employer<br>identification no.) |
| 48 Wall Street, New York, N.Y.<br>(Address of principal executive offices) | 10286<br>(Zip code) |

---

**ISP HOLDINGS INC.**
(Exact name of obligor as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 51-0376469<br>(I.R.S. employer<br>identification no.) |

**ISP HOLDINGS INC.**

| | |
|---|---|
| 818 Washington Street<br>Wilmington, Delaware<br>(Address of principal executive offices) | 19801<br>(Zip code) |

---

Series B 9% Senior Notes due 2003
(Title of the indenture securities)

==========

1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(A) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

| Name | Address |
|---|---|
| Superintendent of Banks of the State of New York | 2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203 |
| Federal Reserve Bank of New York | 33 Liberty Plaza, New York, N.Y. 10045 |
| Federal Deposit Insurance Corporation | Washington, D.C. 20429 |
| New York Clearing House Association | New York, New York |

(B) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

**Yes.**

2. AFFILIATIONS WITH OBLIGOR.

**IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.**

None. (See Note on page 3.)

16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7A-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND RULE 24 OF THE COMMISSION'S RULES OF PRACTICE.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)



G-I_EPA0009625

6. The consent of the Trustee required by Section 321(b) of the Act.
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

**NOTE**

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

**Item 2 may, however, be considered as correct unless amended by an**
amendment to this Form T-1.

## SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 4th day of December, 1996.

**THE BANK OF NEW YORK**

*By: /s/ VIVIAN GEORGES*
*---*
*Name: VIVIAN GEORGES*
*Title: ASSISTANT VICE PRESIDENT*

**Exhibit 7**

## Consolidated Report of Condition of

## THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

| ASSETS | Dollar Amounts in Thousands |
|---|---|
| Cash and balances due from depos-itory institutions: | |
| Noninterest-bearing balances and currency and coin ..... | $ 3,650,068 |
| Interest-bearing balances ..... | 738,260 |
| Securities: | |
| Held-to-maturity securities ..... | 784,969 |
| Available-for-sale securities ..... | 2,033,407 |
| Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank: | |
| Federal funds sold ..... | 3,699,232 |
| Securities purchased under agreements to resell ..... | 20,000 |
| Loans and lease financing receivables: | |
| Loans and leases, net of unearned income .....28,109,045 | |
| LESS: Allowance for loan and lease losses .....586,658 | |
| LESS: Allocated transfer risk reserve.....429 | |
| Loans and leases, net of unearned income, allowance, and reserve | 27,521,958 |
| Assets held in trading accounts ..... | 678,844 |
| Premises and fixed assets (including capitalized leases) ..... | 608,217 |
| Other real estate owned ..... | 50,599 |
| Investments in unconsolidated subsidiaries and associated companies ..... | 235,670 |
| Customers' liability to this bank on acceptances outstanding ..... | 904,948 |
| Intangible assets ..... | 450,230 |
| Other assets ..... | 1,299,464 |
| Total assets ..... | $42,675,866 |

| | | |
|---|---|---|
| LIABILITIES | | |
| Deposits: | | |
| In domestic offices | | $19,223,050 |
| Noninterest-bearing | 7,675,758 | |
| Interest-bearing | 11,547,292 | |
| In foreign offices, Edge and Agreement subsidiaries, and IBFs | | 11,527,685 |
| Noninterest-bearing | 48,502 | |
| Interest-bearing | 11,479,183 | |
| Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs: | | |
| Federal funds purchased | | 1,498,351 |
| Securities sold under agreements to repurchase | | 126,974 |
| Demand notes issued to the U.S. Treasury | | 231,865 |
| Trading liabilities | | 479,390 |
| Other borrowed money: | | |
| With original maturity of one year or less | | 2,521,578 |
| With original maturity of more than one year | | 20,780 |
| Bank's liability on acceptances executed and outstanding | | 905,850 |
| Subordinated notes and debentures | | 1,020,400 |
| Other liabilities | | 1,543,657 |
| Total liabilities | | 39,099,580 |
| EQUITY CAPITAL | | |
| Common stock | | 942,284 |
| Surplus | | 525,666 |
| Undivided profits and capital reserves | | 2,124,231 |
| Net unrealized holding gains (losses) on available-for-sale securities | | (8,063) |
| Cumulative foreign currency translation adjustments | | (7,832) |
| Total equity capital | | 3,576,286 |
| Total liabilities and equity capital | | $42,675,866 |

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

**Robert E. Keilman**

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot )
Alan R. Griffith ) Directors
Thomas A. Renyi )

**EXHIBIT 25.2**

---

**FORM T-1**

**SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**STATEMENT OF ELIGIBILITY**
**UNDER THE TRUST INDENTURE ACT OF 1939 OF A**
**CORPORATION DESIGNATED TO ACT AS TRUSTEE**

**CHECK IF AN APPLICATION TO DETERMINE**
**ELIGIBILITY OF A TRUSTEE PURSUANT TO**
SECTION 305(b)(2) [__]

---

**THE BANK OF NEW YORK**
(Exact name of trustee as specified in its charter)

| | |
|---|---|
| New York<br>(State of incorporation<br>if not a U.S. national bank) | 13-5160382<br>(I.R.S. employer<br>identification no.) |
| 48 Wall Street, New York, N.Y.<br>(Address of principal executive offices) | 10286<br>(Zip code) |

---

**ISP HOLDINGS INC.**
(Exact name of obligor as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 51-0376469<br>(I.R.S. employer<br>identification no.) |

**ISP HOLDINGS INC.**

| | |
|---|---|
| 818 Washington Street<br>Wilmington, Delaware<br>(Address of principal executive offices) | 19801<br>(Zip code) |

---

Series B 9 3/4% Senior Notes due 2002
(Title of the indenture securities)

---

1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(A) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

| Name | Address |
|---|---|
| Superintendent of Banks of the State of New York | 2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203 |
| Federal Reserve Bank of New York | 33 Liberty Plaza, New York, N.Y. 10045 |
| Federal Deposit Insurance Corporation | Washington, D.C. 20429 |
| New York Clearing House Association | New York, New York |

(B) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

2. AFFILIATIONS WITH OBLIGOR.

**IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.**

None. (See Note on page 3.)

16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7A-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND RULE 24 OF THE COMMISSION'S RULES OF PRACTICE.

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)



G-I_EPA0009631

6. The consent of the Trustee required by Section 321(b) of the Act.
(Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

**NOTE**

Inasmuch as this Form T-1 is filed prior to the ascertainment by the Trustee of all facts on which to base a responsive answer to Item 2, the answer to said Item is based on incomplete information.

**Item 2 may, however, be considered as correct unless amended by an**
amendment to this Form T-1.

## SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 4th day of December, 1996.

**THE BANK OF NEW YORK**

*By: /s/ VIVIAN GEORGES*
*---*
*Name: VIVIAN GEORGES*
*Title: ASSISTANT VICE PRESIDENT*

**Exhibit 7**

## Consolidated Report of Condition of

## THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 1996, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

| ASSETS | | Dollar Amounts in Thousands |
|---|---|---|
| Cash and balances due from depos-itory institutions: | | |
| Noninterest-bearing balances and currency and coin ..... | | $ 3,650,068 |
| Interest-bearing balances ..... | | 738,260 |
| Securities: | | |
| Held-to-maturity securities ..... | | 784,969 |
| Available-for-sale securities ..... | | 2,033,407 |
| Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank: | | |
| Federal funds sold ..... | | 3,699,232 |
| Securities purchased under agreements to resell ..... | | 20,000 |
| Loans and lease financing receivables: | | |
| Loans and leases, net of unearned income ..... | 28,109,045 | |
| LESS: Allowance for loan and lease losses ..... | 586,658 | |
| LESS: Allocated transfer risk reserve..... | 429 | |
| Loans and leases, net of unearned income, allowance, and reserve | | 27,521,958 |
| Assets held in trading accounts ..... | | 678,844 |
| Premises and fixed assets (including capitalized leases) ..... | | 608,217 |
| Other real estate owned ..... | | 50,599 |
| Investments in unconsolidated subsidiaries and associated companies ..... | | 235,670 |
| Customers' liability to this bank on acceptances outstanding ..... | | 904,948 |
| Intangible assets ..... | | 450,230 |
| Other assets ..... | | 1,299,464 |
| Total assets ..... | | $42,675,866 |

| | | |
|---|---|---|
| LIABILITIES | | |
| Deposits: | | |
| In domestic offices | | $19,223,050 |
| Noninterest-bearing | 7,675,758 | |
| Interest-bearing | 11,547,292 | |
| In foreign offices, Edge and Agreement subsidiaries, and IBFs | | 11,527,685 |
| Noninterest-bearing | 48,502 | |
| Interest-bearing | 11,479,183 | |
| Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs: | | |
| Federal funds purchased | | 1,498,351 |
| Securities sold under agreements to repurchase | | 126,974 |
| Demand notes issued to the U.S. Treasury | | 231,865 |
| Trading liabilities | | 479,390 |
| Other borrowed money: | | |
| With original maturity of one year or less | | 2,521,578 |
| With original maturity of more than one year | | 20,780 |
| Bank's liability on acceptances executed and outstanding | | 905,850 |
| Subordinated notes and debentures | | 1,020,400 |
| Other liabilities | | 1,543,657 |
| Total liabilities | | 39,099,580 |
| EQUITY CAPITAL | | |
| Common stock | | 942,284 |
| Surplus | | 525,666 |
| Undivided profits and capital reserves | | 2,124,231 |
| Net unrealized holding gains (losses) on available-for-sale securities | | (8,063) |
| Cumulative foreign currency translation adjustments | | (7,832) |
| Total equity capital | | 3,576,286 |
| Total liabilities and equity capital | | $42,675,866 |

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

**Robert E. Keilman**

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot )
Alan R. Griffith ) Directors
Thomas A. Renyi )

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM S-4 REGISTRATION STATEMENT OF ISP HOLDINGS INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

| | |
|---|---|
| PERIOD TYPE | YEAR |
| FISCAL YEAR END | DEC 31 1995 |
| PERIOD END | DEC 31 1995 |
| CASH | 14,080 |
| SECURITIES | 135,900 |
| RECEIVABLES | 60,327 |
| ALLOWANCES | 2,879 |
| INVENTORY | 107,969 |
| CURRENT ASSETS | 491,003 |
| PP&E | 475,550 |
| DEPRECIATION | 159,960 |
| TOTAL ASSETS | 1,460,389 |
| CURRENT LIABILITIES | 201,002 |
| BONDS | 280,254 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 0 |
| OTHER SE | (1,707) |
| TOTAL LIABILITY AND EQUITY | 1,460,389 |
| SALES | 689,002 |
| TOTAL REVENUES | 689,002 |
| CGS | 414,672 |
| TOTAL COSTS | 414,672 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 33,091 |
| INCOME PRETAX | 106,102 |
| INCOME TAX | 38,727 |
| INCOME CONTINUING | 55,069 |
| DISCONTINUED | (22,241) |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 32,828 |
| EPS PRIMARY | 0 |
| EPS DILUTED | 0 |

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM S-4 REGISTRATION STATEMENT OF ISP HOLDINGS INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

| | |
|---|---|
| PERIOD TYPE | 9 MOS |
| FISCAL YEAR END | DEC 31 1995 |
| PERIOD END | SEP 29 1996 |
| CASH | 11,767 |
| SECURITIES | 99,952 |
| RECEIVABLES | 72,764 |
| ALLOWANCES | 2,916 |
| INVENTORY | 98,354 |
| CURRENT ASSETS | 572,179 |
| PP&E | 482,416 |
| DEPRECIATION | 184,250 |
| TOTAL ASSETS | 1,537,288 |
| CURRENT LIABILITIES | 159,134 |
| BONDS | 239,760 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 0 |
| OTHER SE | 61,653 |
| TOTAL LIABILITY AND EQUITY | 1,537,288 |
| SALES | 544,135 |
| TOTAL REVENUES | 544,135 |
| CGS | 320,295 |
| TOTAL COSTS | 320,295 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 21,879 |
| INCOME PRETAX | 98,202 |
| INCOME TAX | 35,647 |
| INCOME CONTINUING | 51,753 |
| DISCONTINUED | 18,029 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 69,782 |
| EPS PRIMARY | 0 |
| EPS DILUTED | 0 |

**End of Filing**

Powered By EDGAR Online

**© 2005 | EDGAR Online, Inc.**