INTERNATIONAL SPECIALTY HOLDINGS INC

FORM S-4/A
(Securities Registration: Business Combination)

Filed 5/15/2002

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 2002

REGISTRATION NO. 333-82822

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INTERNATIONAL SPECIALTY HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE	2860	22-3807354
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

300 DELAWARE AVENUE

SUITE 303

WILMINGTON, DELAWARE 19801

(302) 427-5715

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

RICHARD A. WEINBERG, ESQ.
C/O ISP MANAGEMENT COMPANY, INC.
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470
(973) 628-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

WITH A COPY TO:
MICHAEL E. LUBOWITZ, 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 the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

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.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL OR OFFER THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MAY 15, 2002

PROSPECTUS

EXCHANGE OFFER

OF $200,000,000 10 5/8% SERIES B SENIOR SECURED NOTES DUE 2009

FOR
$200,000,000 10 5/8% SERIES A SENIOR SECURED NOTES DUE 2009
OF

INTERNATIONAL SPECIALTY HOLDINGS INC.

MATERIAL TERMS OF THE EXCHANGE OFFER

- Expires at 5:00 p.m., New York City time, on , 2002, unless extended.

- The only conditions to completing the exchange offer are that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission and no injunction, order or decree has been issued which would prohibit, prevent or materially impair our ability to proceed with the exchange offer.

- All old notes that are validly tendered and not validly withdrawn will be exchanged.

- Tenders of old notes may be withdrawn at any time prior to the expiration of the exchange offer.

- The terms of the registered notes to be issued in the exchange offer are substantially identical to the old notes that we issued on December 13, 2001, except for transfer restrictions, registration rights and additional interest.

- The old notes are, and the registered notes will be, secured by a first priority lien on all of the outstanding capital stock of ISP Chemco, Inc., one of our two direct wholly owned subsidiaries.

CONSIDER CAREFULLY THE "RISK FACTORS" BEGINNING ON PAGE 13 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2002

PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and may not contain all information that may be important to you. This prospectus includes specific terms of the exchange offer, as well as information regarding our business and detailed financial data. We encourage you to read the detailed information and financial statements appearing elsewhere in this prospectus. Unless otherwise specifically indicated, "we," "us" and "our" refer to International Specialty Holdings Inc. and its consolidated subsidiaries. "ISP" refers to International Specialty Products Inc., our direct parent, and its consolidated subsidiaries.

THE EXCHANGE OFFER

We issued in a private placement $200.0 million in aggregate principal amount of our 10 5/8% Series A Senior Secured Notes due 2009 on December 13, 2001. We refer to these notes in this prospectus as the "old notes." We entered into a registration rights agreement with the initial purchasers of the old notes in which we agreed to deliver to you this prospectus. You are entitled to exchange your old notes in the exchange offer for our 10 5/8% Series B Senior Secured Notes due 2009, which we refer to in this prospectus as the "registered notes," with substantially identical terms. We refer to the old notes and the registered notes collectively as the "notes." We believe that the registered notes to be issued in the exchange offer may be resold by you without compliance with the registration and prospectus delivery requirements of the Securities Act of 1933, subject to limited conditions. You should read the discussion under the headings "The Exchange Offer" and "Description of the Registered Notes" for further information regarding the registered notes.

WHO WE ARE

Through our direct and indirect subsidiaries, we develop, manufacture and market specialty chemicals and have leading positions in niche markets throughout the world in terms of sales revenue. Our broad spectrum of highly-engineered specialty chemicals has numerous applications in consumer and industrial products. Our specialty chemicals are often critical ingredients in the formulation of our customers' products, but typically represent only a small portion of their product costs. We sell these specialty chemicals in domestic and international markets, primarily for use in branded consumer products manufactured by companies engaged in relatively non-cyclical industries, such as the cosmetics, pharmaceuticals and beverage industries. We sell over 400 specialty chemical and mineral products to over 6,000 customers in over 90 countries, with sales outside of the United States accounting for approximately 52% of our net sales for the year ended December 31, 2001. We believe that we are also the second largest producer of mineral products for roofing applications in the United States in terms of production capacity and sales revenue.

International Specialty Holdings Inc. is currently a holding company. Our business consists of owning 100% of the outstanding equity of ISP Chemco and ISP Investco. We were formed in June 2001 in connection with an internal restructuring completed by our parent corporation, ISP, for the purpose of separating its investment assets from its specialty chemicals business. ISP Chemco and its subsidiaries now hold all of ISP's specialty chemicals assets and ISP Investco and its subsidiaries now hold all of ISP's investment assets. For more information concerning this restructuring, see "The Transactions" below.

ISP INVESTCO

We conduct our investments business through ISP Investco and its subsidiaries. We invest primarily in international and domestic arbitrage and securities of companies involved in acquisition or reorganization transactions. Those investments include common stock short positions which are offset against long positions in securities which are expected, under specific circumstances, to be exchanged or converted into the short positions. ISP Investco and its subsidiaries have been designated as "unrestricted subsidiaries" under the indenture governing the notes and as such will not be subject to most of the covenants contained

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therein. For additional information about ISP Investco's investment business see the Notes to our consolidated financial statements included elsewhere in this prospectus.

THE TRANSACTIONS

In June 2001, ISP completed an internal restructuring in order to separate its investment assets from its specialty chemicals business. As part of that restructuring, ISP's investment assets were transferred to us and, in turn, we transferred those assets to our newly formed, wholly owned subsidiary, ISP Investco. As a result, all of ISP's specialty chemicals assets are now held by the direct and indirect subsidiaries of our other direct, wholly owned subsidiary, ISP Chemco. We refer to these transactions in this prospectus as the "Restructuring." In addition, as part of the Restructuring, ISP refinanced a substantial portion of its debt through the issuance by ISP Chemco and three of its wholly owned subsidiaries of $205.0 million in aggregate principal amount of their 10 1/4% Senior Subordinated Notes due 2011, which we refer to in this prospectus as the "2011 Notes," and the entering into of a new $450.0 million secured revolving credit and term loan facilities, which we refer to in this prospectus as the "Senior Credit Facilities." We used the net proceeds of that offering to repay the 9 3/4% Senior Notes due 2002 of ISP, which we refer to in this prospectus as the "2002 Notes." On July 31, 2001 and November 13, 2001, ISP Chemco and those same three subsidiaries jointly issued an additional $200.0 million of the 2011 Notes. We used the net proceeds of those offerings along with a portion of the proceeds from the offering of the old notes to retire the 9% Senior Notes due 2003 of ISP, which we refer to in this prospectus as the "2003 Notes." We collectively refer to the offerings of the 2011 Notes and the entering into of the Senior Credit Facilities in this prospectus as the "Financing Transactions." We refer to the Financing Transactions, the repayment of the 2002 Notes and the 2003 Notes and the issuance of the old notes as the "Transactions." The following chart illustrates our organization and structure.

[ORGANIZATION AND STRUCTURE FLOW CHART]

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RECENT DEVELOPMENTS

On April 19, 2002, ISP announced the sale of its Haifa, Israel-based FineTech, Ltd. business to Pharmaceutical Resources, Inc., which we refer to as PRI, for $32.0 million. We will record a second quarter pre-tax gain, before expenses, of approximately $5.8 million related to this sale. In December 2001, ISP had entered into a letter agreement to sell to PRI both its Haifa-based business and its Columbus, Ohio manufacturing facility. In February 2002, we received a $250,000 payment from PRI in consideration of extending the negotiations pursuant to the letter agreement. On March 14, 2002, we announced that the sale contemplated in the letter agreement would not be consummated due to the failure of PRI to proceed with the transaction in a timely manner. Under the terms of the letter agreement, we received a $3.0 million break-up fee, which was recorded as income in the first three months of 2002 (see Note 6 to consolidated financial statements).

On April 26, 2002, we announced that we had acquired the roofing granule manufacturing operations in Ione, California of Reed Minerals, a division of Harsco Corporation. In a related transaction, we also acquired the adjacent quarry operations and certain mining assets from Hanson Aggregates Mid-Pacific, Inc.

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Our principal executive offices are located at 300 Delaware Avenue, Suite 303, Wilmington, Delaware 19801 and our telephone number is (302) 427-5715.

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SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

The exchange offer relates to the exchange of up to $200.0 million aggregate principal amount of old notes for an equal aggregate principal amount of registered notes. We issued and sold in a private placement $200.0 million in aggregate principal amount of the old notes on December 13, 2001. The form and terms of the registered notes are substantially the same as the form and terms of the old notes, except that the registered notes have been registered under the Securities Act of 1933 and will not bear legends restricting their transfer. We issued the old notes under an indenture that grants you certain rights. The registered notes also will be issued under that indenture and you will have the same rights under the indenture as the holders of the old notes. See "Description of the Registered Notes."

Registration Rights Agreement.....	You are entitled under the registration rights agreement to exchange your old notes for registered notes with substantially identical terms. The exchange offer is intended to satisfy these rights. After the exchange offer is complete, except as set forth in the next paragraph, you will no longer be entitled to any exchange or registration rights with respect to your old notes. The registration rights agreement requires us to file a registration statement for a continuous offering in accordance with Rule 415 under the Securities Act for your benefit if you would not receive freely tradeable registered notes in the exchange offer or you are ineligible to participate in the exchange offer and indicate that you wish to have your old notes registered under the Securities Act. See "The Exchange Offer -- Procedures for Tendering."
The Exchange Offer.....	We are offering to exchange $1,000 principal amount of 10 5/8% Series B Senior Secured Notes due 2009, which have been registered under the Securities Act, for each $1,000 principal amount of 10 5/8% Series A Senior Secured Notes due 2009 which were issued on December 13, 2001 in a private placement. In order to be exchanged, an old note must be properly tendered and accepted. All old notes that are properly tendered and not properly withdrawn will be exchanged. As of this date, there are $200.0 million aggregate principal amount of old notes outstanding. We will issue the registered notes promptly after the expiration of the exchange offer.
Resales of the Registered Notes.....	We believe that registered notes to be issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act if you meet the following conditions: (1) the registered notes are acquired by you in the ordinary course of your business; (2) you are not engaging in and do not intend to engage in a distribution of the registered notes; (3) you do not have an arrangement or understanding with any person to participate in the distribution of the registered notes; and

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(4) you are not an affiliate of ours, as that term is defined in Rule 405 under the Securities Act.

If you do not meet the above conditions, you may incur liability under the Securities Act if you transfer any registered note without delivering a prospectus meeting the requirements of the Securities Act. We do not assume or indemnify you against that liability.

Each broker-dealer that is issued registered notes in the exchange offer for its own account in exchange for old notes which were acquired by that 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 the registered notes. A broker-dealer may use this prospectus for an offer to resell or to otherwise transfer these registered notes.

Expiration Date..... The exchange offer will expire at 5:00 p.m., New York City time, on , 2002, unless we decide to extend the exchange offer. We do not intend to extend the exchange offer, although we reserve the right to do so. If we determine to extend the exchange offer, we do not intend to extend it beyond , 2002.

Conditions to the Exchange Offer..... The only conditions to completing the exchange offer are that the exchange offer not violate applicable law or any applicable interpretation of the staff of the Commission and no injunction, order or decree has been issued which would prohibit, prevent or materially impair our ability to proceed with the exchange offer. There are no other federal or state regulatory requirements that must be complied with to complete the exchange offer. See "The Exchange Offer -- Conditions."

Procedures for Tendering Old Notes Held in the Form of Book-Entry Interests..... The old notes were issued as global securities in fully registered form without coupons. Beneficial interests in the old notes, which are held by direct or indirect participants in The Depository Trust Company through certificateless depositary interests, are shown on, and transfers of the notes can be made only through, records maintained in book-entry form by DTC with respect to its participants.

If you are a holder of an old note held in the form of a book-entry interest and you wish to tender your old note for exchange pursuant to the exchange offer, you must transmit to Wilmington Trust Company, as exchange agent, on or prior to the expiration of the exchange offer either:

- a written or facsimile copy of a properly completed and executed letter of transmittal and all other required documents to the address set forth on the cover page of the letter of transmittal; or

- a computer-generated message transmitted by means of DTC's Automated Tender Offer Program system and

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forming a part of a confirmation of book-entry transfer in which you acknowledge and agree to be bound by the terms of the letter of transmittal.

The exchange agent must also receive on or prior to the expiration of the exchange offer either:

- a timely confirmation of book-entry transfer of your old notes into the exchange agent's account at DTC, in accordance with the procedure for book-entry transfers described in this prospectus under the heading "The Exchange Offer -- Book-Entry Transfer," or

- the documents necessary for compliance with the guaranteed delivery procedures described below.

A letter of transmittal accompanies this prospectus. By executing the letter of transmittal or delivering a computer-generated message through DTC's Automated Tender Offer Program system, you will represent to us that, among other things:

- the registered notes to be acquired by you in the exchange offer are being acquired in the ordinary course of your business;

- you are not engaging in and do not intend to engage in a distribution of the registered notes;

- you do not have an arrangement or understanding with any person to participate in the distribution of the registered notes; and

- you are not our affiliate.

Procedures for Tendering Certificated Old Notes..... If you are a holder of book-entry interests in the old notes, you are entitled to receive, in limited circumstances, in exchange for your book-entry interests, certificated notes that are in equal principal amounts to your book-entry interests. See "Description of the Registered Notes -- Form of Registered Notes." No certificated notes are issued and outstanding as of the date of this prospectus. If you acquire certificated old notes prior to the expiration of the exchange offer, you must tender your certificated old notes in accordance with the procedures described in this prospectus under the heading "The Exchange Offer -- Procedures for Tendering -- Certificated Old Notes."

Special Procedures for Beneficial Owner..... If you are the beneficial owner of old notes and they are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender your old notes, you should promptly contact the person in whose name your old notes are registered and instruct that person to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the person in

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	whose name your old notes are registered. The transfer of registered ownership may take considerable time. See "The Exchange Offer -- Procedures for Tendering -- Procedures Applicable to All Holders."
Guaranteed Delivery Procedures.....	If you wish to tender your old notes and: (1) they are not immediately available; (2) time will not permit your old notes or other required documents to reach the exchange agent before the expiration of the exchange offer; or (3) you cannot complete the procedure for book-entry transfer on a timely basis, you may tender your old notes in accordance with the guaranteed delivery procedures set forth in "The Exchange Offer -- Procedures for Tendering--Guaranteed Delivery Procedures."
Acceptance of Old Notes and Delivery of Registered Notes.....	Except under the circumstances described above under "Conditions to the Exchange Offer," we will accept for exchange any and all old notes that are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The registered notes to be issued to you in the exchange offer will be delivered promptly following the expiration date. See "The Exchange Offer -- Terms of the Exchange Offer."
Withdrawal.....	You may withdraw the tender of your old notes at any time prior to 5:00 p.m., New York City time, on the expiration date. We will return to you any old notes not accepted for exchange for any reason without expense to you as promptly as we can after the expiration or termination of the exchange offer.
Exchange Agent.....	Wilmington Trust Company is serving as the exchange agent in connection with the exchange offer.
Consequences of Failure to Exchange.....	If you do not participate in the exchange offer, upon completion of the exchange offer, the liquidity of the market for your old notes could be adversely affected. See "The Exchange Offer -- Consequences of Failure to Exchange."
Federal Income Tax Consequences.....	The exchange of old notes for registered notes in the exchange offer will not be a taxable event for federal income tax purposes. See "Federal Income Tax Considerations."

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SUMMARY OF THE TERMS OF THE REGISTERED NOTES

ISSUER.....	International Specialty Holdings Inc.
NOTES OFFERED.....	$200.0 million in principal amount of 10 5/8% Series B Senior Secured Notes due 2009.
MATURITY.....	December 15, 2009.
INTEREST PAYMENT DATES.....	June 15 and December 15 of each year. The first payment will be made on June 15, 2002.
SECURITY.....	The old notes are, and the registered notes will be, secured by a first priority lien on all of the outstanding capital stock of ISP Chemco, one of our two direct, wholly owned subsidiaries.
UNRESTRICTED SUBSIDIARIES.....	ISP Investco and its subsidiaries, an accounts receivable subsidiary and certain immaterial subsidiaries have been designated as "unrestricted subsidiaries" under the indenture governing the notes. As a result, these subsidiaries will not be subject to most of the covenants contained in the indenture governing the notes.
OPTIONAL REDEMPTION.....	We may redeem the notes on or after December 15, 2005, at the redemption prices listed under "Description of the Registered Notes -- Optional Redemption." Prior to December 15, 2004, we may use the proceeds of specific sales of our equity to redeem up to 35% of the original principal amount of the notes at a redemption price of 110.625% of their principal amount, plus accrued and unpaid interest to the redemption date.
CHANGE OF CONTROL OFFER.....	If we experience a change of control, holders of the notes may require us to repurchase part or all of their notes at 101% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.
RANKING.....	The registered notes will be our senior secured debt and rank equally with all of our future senior debt and senior to any of our subordinated debt. In addition, the registered notes will be effectively subordinated to all liabilities of our subsidiaries. At March 31, 2002, the notes would have been effectively subordinated to approximately $1,066.0 million of our subsidiaries' liabilities.
COVENANTS.....	We will issue the notes under an existing indenture with Wilmington Trust Company, which will act as trustee on your behalf. The indenture, among other things, restricts our ability to: - sell all or substantially all of our assets or merge or consolidate with or into other companies; - incur other secured debt or allow liens to exist on our assets; - pay dividends or make other distributions;

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- make restricted payments and investments;

- incur restrictions on the ability of some of our subsidiaries to pay dividends or other payments to us; and

- enter into transactions with affiliates.

Some of these limitations do not apply to our unrestricted subsidiaries.

The indenture provides that during any period of time that the notes have an investment grade rating from Moody's Investors Services, Inc. and Standard & Poor's Ratings Services, neither of these rating agencies has attached any "negative outlook" to the rating of the notes and no default under the indenture has occurred, we will not be subject to many of these covenants. See "Description of the Notes -- Certain Covenants -- Changes in Covenants When Notes Rated Investment Grade."

If either of the rating agencies downgrade the ratings assigned to the notes below an investment grade rating, we will again be subject to those covenants.

REGISTRATION RIGHTS;

LIQUIDATED DAMAGES..... In connection with the offering of the old notes, we granted registration rights to holders of the old notes and holders of any additional notes treated as the same class of notes under the indenture. We agreed to use reasonable efforts to consummate the offer to exchange these registered notes for the old notes by July 11, 2002. If we fail to complete the exchange offer by that date, then we will pay liquidated damages to each holder of old notes, with respect to the first 90-day period immediately following the occurrence of the first registration default in an amount equal to $.05 per week per $1,000 principal amount of notes held by that holder.

In addition, under limited circumstances, we may be required to file a shelf registration statement to cover resales of the old notes held by you.

We will also be required to pay liquidated damages if:

- we fail to file the shelf registration statement required by the registration rights agreement on or before the date specified for that filing; or

- the shelf registration statement is not declared effective by the Commission on or prior to the date specified for its effectiveness; or

- the shelf registration statement or this registration statement is declared effective but thereafter ceases to be effective or usable in connection with resales of transfer restricted securities during the periods specified in the registration rights agreement.

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	The amount of the liquidated damages will increase by an additional $.05 per week per $1,000 principal amount of old notes with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum amount of liquidated damages for all registration defaults of $.50 per week per $1,000 principal amount of notes. Following the cure of all registration defaults, the accrual of liquidated damages will cease.
FORM OF REGISTERED NOTES.....	The registered notes to be issued in the exchange offer will be represented by one or more global securities deposited with Wilmington Trust Company for the benefit of DTC. You will not receive registered notes in certificated form unless one of the events set forth under the heading "Description of the Registered Notes -- Form of Registered Notes" occurs. Instead, beneficial interests in the registered notes to be issued in the exchange offer will be shown on, and transfer of these interests will be effected only through, records maintained in book-entry form by DTC with respect to its participants.
USE OF PROCEEDS.....	ISP used a portion of the net proceeds of the offering of old notes to retire its remaining outstanding 2003 Notes on January 14, 2002. We also used a portion of the net proceeds of the old notes offering to repay outstanding indebtedness we owed to ISP. We used the remainder to pay fees and expenses related to the Transactions. We will not receive any cash proceeds upon completion of the exchange offer.

YOU SHOULD REFER TO THE SECTION ENTITLED "RISK FACTORS" FOR AN EXPLANATION OF THE RISKS OF PARTICIPATING IN THE EXCHANGE OFFER AND INVESTING IN THE NOTES.

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SUMMARY FINANCIAL DATA

The following information sets forth our summary financial data. The results of any interim period do not necessarily indicate the results for the full year. This information should be read in conjunction with the information in "Capitalization," "Unaudited Pro Forma Consolidated Financial Statements," "Selected Financial Data" and the Consolidated Financial Statements included elsewhere in this prospectus.

International Specialty Holdings Inc., formerly known as Newco Holdings Inc., was formed in June 2001. We have prepared the financial data presented below on a basis which retroactively reflects our formation for all periods presented. The balance sheet data as of March 31, 2002 reflect the issuance of the old notes on December 13, 2001 and the repayment in full of the 2002 Notes, the 2003 Notes and a $50.0 million note payable from us to ISP. The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 2001. The pro forma financial data presented below 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.

Our unrestricted subsidiaries, including ISP Investco, had no impact on our net sales or operating income on a historical or pro forma basis.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS)				
OPERATING DATA:					
Net sales	$787.4	$783.9	$787.2	$203.2	$219.1
Operating income	146.5	82.3	113.2	26.1	33.8
Interest expense(1)	80.7	84.3	88.9	17.2	22.8
Income from continuing operations before income taxes	63.0	130.1	5.8	35.7	24.2
Income from continuing operations	40.9	84.4	3.7	23.2	16.0
Income before extraordinary item and cumulative effect of change in accounting principle	66.2	84.4	3.7	23.2	16.0
Net income	66.2	84.4	3.3	22.7	11.2

	DECEMBER 31, 2001	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS)	
BALANCE SHEET DATA:		
Cash and short-term investments	$ 366.6	$ 410.5
Restricted cash(2)	307.9	--
Total working capital	540.6	586.3
Total assets	2,149.4	1,867.9
Total long-term debt(3)	1,229.8	913.6
Shareholder's equity	562.6	594.6

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS, EXCEPT RATIO DATA)				
OTHER DATA:					
Depreciation	$ 48.2	$ 50.9	$ 52.7	$ 12.9	$ 13.6
Amortization of goodwill and intangibles	16.2	16.0	17.1	4.0	0.4
Capital expenditures and acquisitions	108.9	58.4	101.4	9.9	8.8
Cash flows from:					
Operating activities	116.0	46.1	264.4	4.5	35.7
Investing activities	(36.0)	(51.2)	(187.9)	(34.0)	126.2
Financing activities	(79.6)	(1.6)	(12.9)	27.2	(19.3)
EBITDA(4)(7)	208.0	281.3	164.5	69.8	61.0
Ratio of earnings to fixed charges(5)	1.7x	2.4x	1.1x	2.9x	2.0x
Ratio of EBITDA to interest expense(4)	2.6x	3.3x	1.8x	4.0x	2.7x

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	YEAR ENDED DECEMBER 31, 2001	THREE MONTHS ENDED MARCH 31, 2002
	(UNAUDITED) (MILLIONS, EXCEPT RATIO DATA)	
PRO FORMA OPERATING DATA:(6)		
EBITDA(7)	$164.5	$ 61.0
Interest expense	92.9	22.2
Income before extraordinary item and cumulative effect of change in accounting principle	1.2	16.4
Ratio of earnings to fixed charges(5)	1.0x	2.0x
Ratio of EBITDA to interest expense(7)	1.8x	2.7x

(1) Includes the effect of the retroactive push-down of the 2002 Notes and the 2003 Notes on our consolidated balance sheet for all periods presented.

(2) Represents $125.8 million of the net proceeds from the issuance of the old notes and a portion ($182.1 million) of the net proceeds from the issuances of the 2011 Notes, which were placed in a restricted cash escrow account and distributed to our parent, ISP, to retire the 2003 Notes in full on January 14, 2002.

(3) See "Capitalization" and Note 15 to consolidated financial statements.

(4) EBITDA is calculated as income from continuing operations before income taxes, increased by interest expense, depreciation and goodwill amortization. As an indicator of operating performance. EBITDA should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

(5) For purposes of these computations, earnings consist of income from continuing operations before income taxes, plus fixed charges. Fixed charges consist of interest expense, plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(6) The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 2001. See "Unaudited Pro Forma Consolidated Financial Statements."

(7) The details of the calculation of EBITDA are set forth below:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED		PRO FORMA	
	1999	2000	2001	APRIL 1 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2001 (UNAUDITED)	THREE MONTHS ENDED MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)						
Income from continuing operations before income taxes	$ 62,958	$130,114	$ 5,785	$35,671	$24,152	$ 1,863	$24,779
Add:							
Interest expense	80,666	84,250	88,931	17,232	22,842	92,853	22,215
Depreciation	48,191	50,894	52,721	12,859	13,631	52,721	13,631
Amortization of goodwill and intangibles	16,195	16,042	17,080	4,010	402	17,080	402
EBITDA	$208,010	$281,300	$164,517	$69,772	$61,027	$164,517	$61,027

* * *

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges was 2.2, 1.2, 1.7, 2.4 and 1.1 for the years ended December 31, 1997, 1998, 1999, 2000 and 2001, respectively. For the purposes of calculating the ratios of earnings to fixed charges, earnings consist of income from continuing operations before income taxes, plus fixed charges. Fixed charges consist of interest expense, plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

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RISK FACTORS

An investment in the notes is subject to a number of risks. You should carefully consider the following factors, as well as the more detailed descriptions elsewhere in this prospectus, before making an investment in the notes. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

RISKS RELATED TO THE NOTES

WE ARE SUBSTANTIALLY LEVERAGED. THIS COULD AFFECT OUR ABILITY TO FULFILL OUR OBLIGATIONS UNDER THE NOTES.

Our substantial outstanding debt has important consequences to you, including the risk that we may not generate sufficient cash flow from operations to pay principal of and interest on our indebtedness, including the notes, or to invest in our businesses. If we are unable to satisfy our obligations with cash flow from operations and refinancings, we might have to attempt to raise cash to satisfy our obligations through potential sales of assets or equity. Our ability to raise funds by selling either assets or equity depends on a number of factors, including market conditions, restrictions contained in the Senior Credit Facilities, the indenture governing the notes, the indenture governing the 2011 Notes, the indenture governing the outstanding indebtedness of ISP and other factors. If we are unable to refinance indebtedness or raise funds through sales of assets or equity or otherwise, we may be unable to pay principal of and interest on the notes.

At March 31, 2002, we had total outstanding debt of $913.6 million and shareholder's equity of $594.6 million. In addition, subject to restrictions contained in the documents referred to above, we may incur additional indebtedness.

WE DO NOT GENERATE ANY OPERATING INCOME AND, ACCORDINGLY, RELY UPON DISTRIBUTIONS FROM OUR SUBSIDIARIES TO MEET OUR PAYMENT OBLIGATIONS.

We are a holding company and our ability to pay interest on the notes depends upon the receipt of dividends from our direct and indirect subsidiaries. We do not have, and may not in the future have, any assets other than our ownership interests in ISP Investco and ISP Chemco. ISP Chemco and its subsidiaries are party to the Senior Credit Facilities and the indenture governing the 2011 Notes, each of which imposes substantial restrictions upon ISP Chemco's ability to pay dividends to us. Any payment of dividends from ISP Chemco will be subject to the satisfaction of financial conditions set forth in the Senior Credit Facilities and the indenture governing the 2011 Notes. In addition, under Delaware law, our subsidiaries may not make distributions to us if, after giving effect to those distributions, the liabilities of the subsidiary would exceed the fair value of its assets. We cannot predict what the value of our subsidiaries' assets or the amount of its liabilities will be in the future and whether those values or amounts will permit the payment of distributions to us. Accordingly, we cannot assure you that we will be able to pay our principal and interest obligations on the notes.

RESTRICTIVE COVENANTS IN THE SENIOR CREDIT FACILITIES, THE INDENTURE GOVERNING THE NOTES AND THE INDENTURE GOVERNING THE 2011 NOTES MAY LIMIT OUR ABILITY TO MOVE FUNDS OR ASSETS AMONG OUR SUBSIDIARIES AND UNDERTAKE SPECIFIC TYPES OF TRANSACTIONS.

As a result of various restrictive covenants in the Senior Credit Facilities, the indenture governing the notes and the indenture governing the 2011 Notes, our financial flexibility is restricted in a number of ways. First, transfers of funds and other assets as well as other transactions among our subsidiaries are limited. The Senior Credit Facilities, the indenture governing the notes and the indenture governing the 2011 Notes restrict ISP Chemco's ability to pay dividends or otherwise make distributions or transfer funds to us.

The Senior Credit Facilities, the indenture governing the notes and the indenture governing the 2011 Notes also subject us or our subsidiaries, as the case may be, to significant financial and other restrictive covenants, including restrictions on the ability to incur additional indebtedness, place liens upon assets, pay

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dividends or make other restricted payments and investments, consummate asset sales or asset swaps, enter into transactions with affiliates, make specified payments to us, conduct businesses other than their current or related businesses, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of their assets. These instruments also require us or our subsidiaries, as the case may be, to satisfy or maintain financial condition tests. Our and our subsidiaries' ability to meet these financial condition tests can be affected by events beyond our control and there can be no assurance that they will meet those tests. In the event of a default, the holders of the 2011 Notes and the lenders under the Senior Credit Facilities could elect to accelerate the maturity of all of the 2011 Notes or the loans under the Senior Credit Facilities. If the maturity of the 2011 Notes or the loans under the Senior Credit Facilities were to be accelerated, all of that debt would be required to be paid in full before ISP Chemco or its subsidiaries would be permitted to distribute any assets or cash to us. In that event, we would likely not have sufficient assets to repay all of that outstanding debt and to meet our obligations under the notes. Future borrowings by ISP Chemco and ISP Investco can be expected to contain restrictions or prohibitions on the payment of dividends by those subsidiaries to us.

ALTHOUGH WE REFER TO THE NOTES WE ARE OFFERING AS "SENIOR NOTES," THEY ARE EFFECTIVELY SUBORDINATED TO ANY LIABILITIES OF OUR SUBSIDIARIES.

Because we are a holding company, the notes are structurally subordinated to all liabilities of our subsidiaries. As a result, in the event of a bankruptcy or liquidation of any of our subsidiaries, the creditors of that subsidiary would be entitled to be repaid in full before any assets of that subsidiary would be available to satisfy our obligations on the notes. At March 31, 2002, the notes would have been effectively subordinated to approximately $1,066.0 million of our subsidiaries' liabilities.

ADDITIONAL ISSUANCES OF NOTES COULD DILUTE YOUR COLLATERAL.

The old notes and the registered notes constitute the same series of notes under the indenture governing the notes. The indenture also permits us to issue additional notes of the same series as the old notes and the registered notes, subject to satisfaction of additional conditions. Any additional notes issued under the indenture will be secured by the same collateral as the old notes and the registered notes. The result of those additional issuances of notes would be that each holder's proportionate interest in the collateral would be diluted.

WE MAY HAVE INADEQUATE COLLATERAL TO SATISFY PAYMENTS ON THE NOTES.

The old notes are, and the registered notes will be, secured by a first priority lien against all of the outstanding capital stock of ISP Chemco Inc., one of our wholly owned subsidiaries. The value of and your ability to foreclose on this collateral in the event of an acceleration of the notes will depend on market and economic conditions, the availability of buyers and other factors beyond our control. There is currently no established trading market for the common stock of ISP Chemco. Furthermore, the sale of all of the outstanding capital stock of ISP Chemco would constitute a change of control under the terms of the Senior Credit Facilities and the indenture governing the 2011 Notes. In that event, the lenders under the Senior Credit Facilities and/or the holders of the 2011 Notes could opt to accelerate the indebtedness represented by those instruments. As a result, the ability to dispose of the outstanding capital stock of ISP Chemco could be adversely affected. Accordingly, the value of the collateral to you may be diminished. In addition, the proceeds of any sale of the collateral following a default by us may not be sufficient to satisfy any payments due on the notes. If the proceeds are not sufficient to repay all amounts due on the notes, then you (to the extent not repaid from those proceeds) will have only an unsecured claim against our remaining assets, which currently consist only of our equity interests in ISP Investco.

THE TRUSTEE UNDER THE INDENTURE MAY BE UNABLE TO FORECLOSE ON THE COLLATERAL SECURING THE NOTES AND PAY YOU ANY AMOUNT DUE ON THE NOTES.

Under the indenture governing the notes, if an event of default occurs, including defaults in payment of interest or principal on the notes when due at maturity or otherwise, the trustee may accelerate the

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notes and, among other things, initiate proceedings to foreclose on the collateral securing the notes. The right of the trustee to repossess and dispose of the collateral after the occurrence of an event of default is likely to be significantly impaired by applicable bankruptcy laws if a bankruptcy proceeding were to be commenced by or against us prior to the trustee having disposed of the collateral. For example, under applicable U.S. bankruptcy laws, a secured creditor is prohibited from repossessing and selling its security from a debtor in a bankruptcy case without bankruptcy court approval. Under any of these circumstances, you may not be fully compensated for your investment in the notes in the event of a default.

THE BUSINESS ACTIVITIES OF OUR UNRESTRICTED SUBSIDIARIES WILL NOT BE LIMITED BY MOST OF THE RESTRICTIVE COVENANTS CONTAINED IN THE INDENTURE.

We have designated some of our direct and indirect subsidiaries as unrestricted subsidiaries, including ISP Investco. Those subsidiaries only have to comply with the restrictions concerning payment of taxes and maintenance of corporate existence contained in the indenture governing the notes. There are no limitations on those subsidiaries' ability to incur debt, sell assets, place liens upon assets, make payments on their capital stock, consummate asset sales or merge or consolidate with any other person. As a result, we cannot assure you that these subsidiaries will maintain sufficient assets to pay dividends to us. The failure to pay those dividends to us could adversely affect our ability to make payments on the notes.

SUBSTANTIALLY ALL OF ISP INVESTCO'S ASSETS CONSIST OF MARKETABLE SECURITIES, THE VALUE OF WHICH COULD FLUCTUATE FROM TIME TO TIME.

A large portion of ISP Investco's assets consist of marketable securities of international and domestic companies. The value of those securities could be subject to wide fluctuations in response to events beyond our control including general economic conditions. As a result, ISP Investco could incur substantial losses with respect to its investments. Accordingly, the value of the stock of ISP Investco could be adversely affected.

WE MAY BE UNABLE TO REPURCHASE THE NOTES UPON A CHANGE OF CONTROL.

We cannot assure you that we will have enough funds to pay our obligations under the notes upon a change of control. In addition, any of our future debt agreements may prohibit our repayment of the notes in that event. Accordingly, we may be unable to satisfy our obligations to purchase your notes unless we are able to refinance or obtain waivers under any future indebtedness.

In addition, we have been advised by G-I Holdings Inc., which in January 2001 filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to asbestos-related claims, that in 2000 three actions were commenced by creditors or potential creditors of G-I Holdings alleging that the distribution of the capital stock of ISP to Samuel J. Heyman and certain other stockholders by G-I Holdings through a series of transactions in 1997 was a fraudulent conveyance. Two of these actions were effectively stayed and the third was dismissed as a result of the G-I Holdings Chapter 11 filing. In September 2001, the Official Committee of Unsecured Creditors of G-I Holdings filed a substantially similar action against Mr. Heyman. If these actions are successful, the plaintiffs could seek to unwind those transactions which could cause the capital stock held by Mr. Heyman and those other shareholders to once again become owned by G-I Holdings. If that were to happen, creditors in G-I Holdings' bankruptcy proceeding could seek to cause the sale of the capital stock of ISP to satisfy their claims, which could result in a change of control. This event could cause other indebtedness of ours and of ISP (including the notes) to become accelerated. That event could have a material adverse impact on our financial condition if we are unable to refinance that indebtedness.

The definition of change of control in the indenture includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of us and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, following a sale, lease, transfer, conveyance or other disposition of less than all of the assets

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of us and our subsidiaries taken as a whole to another person or group, the ability of a holder of notes to require us to repurchase its notes may be uncertain.

The indenture governing the notes does not contain provisions that permit the holders of the notes to require us to repurchase their notes in the event we enter into transactions that would not constitute a change of control under the indenture. Those transactions could include acquisitions, refinancings, recapitalizations or highly leveraged transactions. If we enter into one or more of those transactions, it might increase our indebtedness, change our capital structure or adversely affect our credit ratings or ability to pay you principal and interest on your notes.

A COURT OF COMPETENT JURISDICTION COULD DETERMINE, UNDER SPECIFIC CIRCUMSTANCES, TO VOID THE NOTES IF IT FOUND WE COULD NOT PAY OUR DEBTS AS THEY BECOME DUE.

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a court of competent jurisdiction could void, in whole or in part, the notes if it found we could not pay our debts as they become due. We depend on distributions from our subsidiaries to meet our payment obligations. ISP Chemco and its subsidiaries are subject to restrictive covenants in their debt instruments which restrict the ability of those subsidiaries to pay us dividends. A court could also subordinate the notes to our existing and future debt. For example, a court could void the notes if it finds that at the time the notes are issued any of the following occurred:

- we incurred the debt represented by the notes with the intent to hinder, delay or defraud our creditors; or

- we received less than reasonably equivalent value or fair consideration for incurring that debt; and;

- were insolvent;

- were rendered insolvent by reason of the incurrence of that debt and the application of the proceeds of that debt;

- were engaged or were about to engage in a business or transaction for which the remaining assets constituted unreasonably small capital to carry on our business; or

- intended to incur, or believed that we would incur, debts beyond our ability to pay as they matured.

The measure of insolvency for purposes of determining these fraudulent conveyance issues will vary depending upon the law applied in each case. Generally, however, we would be considered insolvent if:

- the sum of our debt, including contingent liabilities, were greater than the fair saleable value of all of our assets;

- the present fair saleable value of our assets were less than the amount that would be required to pay the probable liability on our existing debts, including contingent liabilities, as they become absolute and mature; or

- we could not pay our debts as they become due.

We believe that for purposes of the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, the notes are being issued without the intent to hinder, delay or defraud creditors and for proper purposes and in good faith. We believe that after the issuance of the notes and the application of the net proceeds therefrom, we will be solvent, will have sufficient capital for carrying on our business and will be able to pay our debts as they mature. We cannot assure you, however, that a court would agree with our view.

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THE LIQUIDITY OF ANY MARKET FOR THE OLD NOTES COULD BE ADVERSELY AFFECTED AFTER COMPLETION OF THE EXCHANGE OFFER. IN ADDITION, THERE MAY BE NO ACTIVE TRADING MARKET FOR THE REGISTERED NOTES TO BE ISSUED IN THE EXCHANGE OFFER.

There has been no public market for the old notes. If most holders of the old notes tender their notes in the exchange offer, the liquidity for the old notes not tendered in the exchange offer could be adversely affected upon completion of the exchange offer. In addition, we cannot assure you with respect to:

(1) the liquidity of any market for the registered notes that may develop;

(2) your ability to sell registered notes; or

(3) the price at which you will be able to sell those registered notes.

If a public market were to exist, the registered 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 our financial performance. We do not intend to list the registered notes to be issued to you in the exchange offer on any securities exchange or to seek approval for quotations through any automated quotation system. No active market for the registered notes is currently anticipated. The initial purchaser of the old notes has advised us that it currently anticipates making a secondary market for the registered notes, but it is not obligated to do so. We cannot assure you that an active or liquid public trading market will develop for the registered notes.

RISKS RELATED TO OUR BUSINESS

FOREIGN CURRENCY FLUCTUATIONS COULD ADVERSELY AFFECT OUR EARNINGS.

For the quarter ended March 31, 2002, approximately 52% of our net sales was attributable to our international operations. Fluctuations in the value of foreign currencies may cause our U.S. dollar-denominated sales and profits with respect to those operations to decrease or increase without relation to the actual sales or profits of our international operations. For a discussion of our international operations, see "Business -- Specialty Chemicals -- International Operations," and for a discussion of the impact of currency fluctuations on our historical results of operations and our policy to manage our foreign currency exposure, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

WE MAY BE HELD RESPONSIBLE FOR A TAX CLAIM AGAINST G-I HOLDINGS INC.

We were members of the G-I Holdings Inc. consolidated group for federal income tax purposes in certain prior years. As a result, we would be severally liable for any tax liability of the G-I Holdings consolidated tax group in respect of those prior years in which we were members of this tax group. On September 15, 1997, G-I Holdings received a tax deficiency notice from the IRS in the amount of $84.4 million (after taking into account the use of net operating losses and foreign tax credits otherwise available for use in later years) for the 1990 fiscal year relating to Rhone-Poulenc Surfactants and Specialties, L.P., a partnership in which G-I Holdings held an interest. On September 21, 2001, the IRS filed a proof of claim with respect to this deficiency in the G-I Holdings bankruptcy. On May 7, 2002, G-I Holdings filed an objection to that proof of claim. If that proof of claim is sustained, we, together with G-I Holdings and several current and former subsidiaries of G-I Holdings, would be severally liable for taxes and interest in an amount of approximately $250.0 million should G-I Holdings be unable to satisfy that liability.

A SUBSTANTIAL INTERRUPTION IN THE SUPPLY OF ONE OF OUR PRINCIPAL RAW MATERIALS COULD ADVERSELY AFFECT REVENUES AND INCREASE OUR COSTS.

Approximately 62% of our sales of specialty chemicals are derived from acetylene which is either purchased in the United States as a raw material or is produced by our wholly owned subsidiary, ISP Acetylene GmbH, in Marl, Germany. Acetylene is available as a raw material from a limited number of suppliers and, because of its instability, can only be transported short distances. We obtain acetylene for domestic use from three unaffiliated suppliers pursuant to supply contracts. In the event of a substantial

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interruption in the supply of acetylene from current sources, we may be unable to obtain as much acetylene from other sources as would be necessary to meet our supply requirements. A substantial interruption of our supply of acetylene or a substantial increase in its cost could have a material adverse effect on our business and operations.

A REDUCTION IN THE SALES PRICE OF ONE OF OUR SIGNIFICANT INDUSTRIAL PRODUCTS COULD ADVERSELY AFFECT OUR REVENUES.

Sales price of butanediol, one of our industrial products that represented 7% of our net sales for the quarter ended March 31, 2002, have fluctuated based on supply and demand. We cannot assure you that future growth in demand for butanediol will be sufficient to keep pace with future increases in supply.

THE LOSS OF A SIGNIFICANT CUSTOMER COULD ADVERSELY AFFECT THE REVENUE AND INCOME OF OUR MINERAL PRODUCTS SEGMENT.

In 2001, Building Materials Corporation of America, an indirect subsidiary of G-I Holdings Inc. and an affiliate of ours, and its subsidiaries purchased approximately $63.4 million of mineral products from us, representing approximately 8.1% of our net sales. BMCA and its subsidiaries purchase from us all of their colored roofing granules requirements (except for the requirements of some of their roofing plants which are supplied by third parties) under a requirements contract which expires on December 31, 2002 unless extended by the parties. A substantial decrease in business from BMCA could have an adverse impact on the financial condition of our mineral products segment.

WE ARE SUBJECT TO A WIDE VARIETY OF ENVIRONMENTAL AND OTHER REGULATIONS THAT COULD INCREASE OUR COSTS OR SUBJECT US TO LIABILITIES.

Aspects of our business and operations are subject to a wide variety of federal, state, local and foreign environmental and occupational health and safety laws and regulations, including laws and regulations governing the storage and handling of chemicals and hazardous substances. We are also subject to liability for the investigation and remediation of environmental contamination at certain properties that we own or operate and at other properties where we or our predecessors have operated or arranged for the disposal of hazardous substances. We cannot predict whether additional expenditures, beyond those currently included in capital and operating budgets, may be required in order to comply with new environmental legislation and regulations.

OUR CONTROLLING SHAREHOLDER HAS THE ABILITY TO APPROVE OR DISAPPROVE ACTIONS REQUIRING STOCKHOLDER APPROVAL.

As of May 10, 2002, Samuel J. Heyman, our Chairman of the Board of Directors and Chairman of the Board of Directors of ISP, beneficially owned (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) approximately 81% of ISP's outstanding voting stock. Accordingly, Mr. Heyman has the ability to elect our entire Board of Directors and determine the outcome of any other matter submitted to shareholders for approval. In particular, subject to the terms of our existing indebtedness, Mr. Heyman has the ability to effect certain corporate transactions, including mergers, consolidations and the sale of all or substantially all of our assets.

WHERE YOU CAN FIND MORE INFORMATION

You can review our Commission filings over the Internet at the Commission's web site at http://www.sec.gov. You may also read and copy any document we file at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 to obtain information on the operation of the public reference room. We have filed with the Securities and Exchange Commission a registration statement on Form S-4 with respect to the registered notes. This prospectus, which is a part of the registration statement, omits some of the information included in the registration statement. Statements made in this prospectus as to the contents

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of the indenture are not necessarily complete. With respect to the indenture, we refer you to that exhibit for a more complete description of the terms of the notes, and each of those statements is deemed qualified in its entirety to that reference.

FORWARD-LOOKING STATEMENTS

This prospectus contains both historical and forward-looking statements. These forward-looking statements are only predictions and generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. You are urged to consider these factors carefully in evaluating the forward-looking statements, including the factors described under "Risk Factors." The forward-looking statements included in this prospectus are made only as of the date of this prospectus and we undertake no obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. We cannot assure you that projected results or events will be achieved.

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THE EXCHANGE OFFER

PURPOSE AND EFFECT

We issued the old notes on December 13, 2001 in a private placement. In connection with the issuance of the old notes, we entered into the registration rights agreement which requires that we file a registration statement under the Securities Act with respect to the registered notes to be issued in the exchange offer and, upon the effectiveness of the registration statement, offer to you the opportunity to exchange your old notes for a like principal amount of registered notes. These registered notes will be issued without a restrictive legend and, except as set forth below, may be reoffered and resold by you without registration under the Securities Act. After we complete the exchange offer, our obligations with respect to the registration of the old notes and the registered notes will terminate, except as provided in the last paragraph of this section. A copy of the indenture relating to the notes and the registration rights agreement have been incorporated by reference as exhibits to the registration statement of which this prospectus is a part. We refer to this indenture in this prospectus as the "indenture." If we complete the exchange offer by July 11, 2002, prospective increases in the interest rate on the old notes provided for in the registration rights agreement will not occur.

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, if you are not our "affiliate" within the meaning of Rule 405 under the Securities Act or a broker-dealer referred to in the next paragraph, we believe that registered notes to be issued to you in the exchange offer may be offered for resale, resold and otherwise transferred by you, without compliance with the registration and prospectus delivery provisions of the Securities Act. This interpretation, however, is based on your representation to us that:

(1) the registered notes to be issued to you in the exchange offer are acquired in the ordinary course of your business;

(2) you are not engaging in and do not intend to engage in a distribution of the registered notes to be issued to you in the exchange offer; and

(3) you have no arrangement or understanding with any person to participate in the distribution of the registered notes to be issued to you in the exchange offer.

If you tender in the exchange offer for the purpose of participating in a distribution of the registered notes to be issued to you in the exchange offer, you cannot rely on this interpretation by the staff of the Commission. Under those circumstances, you 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 registered notes in the exchange offer for its own account in exchange for old notes that were acquired by the 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 those registered notes. See "Plan of Distribution."

If you will not receive freely tradeable registered notes in the exchange offer or are not eligible to participate in the exchange offer, you can elect, by indicating on the letter of transmittal and providing additional necessary information, to have your old notes registered in a "shelf" registration statement on an appropriate form pursuant to Rule 415 under the Securities Act. In the event that we are obligated to file a shelf registration statement, we will be required to keep the shelf registration statement effective for a period of two years following the date of original issuance of the old notes or the shorter period that will terminate when all of the old notes covered by the shelf registration statement have been sold pursuant to the shelf registration statement. Other than as set forth in this paragraph, you will not have the right to require us to register your old notes under the Securities Act. See "-- Procedures for Tendering."

CONSEQUENCES OF FAILURE TO EXCHANGE

After we complete the exchange offer, if you have not tendered your old notes, you will not have any further registration rights, except as set forth above. Your old notes will continue to be subject to limited

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restrictions on transfer. Therefore, the liquidity of the market for your old notes could be adversely affected upon completion of the exchange offer if you do not participate in the exchange offer.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all old notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date. We will issue $1,000 principal amount of registered notes in exchange for each $1,000 principal amount of old notes accepted in the exchange offer. You may tender some or all of your old notes pursuant to the exchange offer. However, old notes may be tendered only in integral multiples of $1,000 in principal amount.

The form and terms of the registered notes are substantially the same as the form and terms of the old notes, except that the registered notes to be issued in the exchange offer have been registered under the Securities Act and will not bear legends restricting their transfer. The registered notes will be issued pursuant to, and entitled to the benefits of, the indenture. The indenture also governs the old notes. The registered notes and the old notes will be deemed one issue of notes under the indenture.

As of the date of this prospectus, $200.0 million in aggregate principal amount of the old notes were outstanding. This prospectus, together with the letter of transmittal, is being sent to all registered holders and to others believed to have beneficial interests in the old notes. You do not have any appraisal or dissenters' rights in connection with the exchange offer under the General Corporation Law of the State of Delaware or the indenture. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the Commission promulgated under the Exchange Act.

We will be deemed to have accepted validly tendered outstanding notes when, as, and if we have given oral or written notice of our acceptance to the exchange agent. The exchange agent will act as our agent for the tendering holders for the purpose of receiving the registered notes from us. If we do not accept any tendered notes because of an invalid tender, the occurrence of other events set forth in this prospectus or otherwise, we will return certificates for any unaccepted old notes, without expense, to the tendering holder as promptly as practicable after the expiration date.

You 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 your old notes in the exchange offer. We will pay all charges and expenses, other than applicable taxes, in connection with the exchange offer. See "-- Fees and Expenses" below.

EXPIRATION DATE; AMENDMENTS

The exchange offer will expire at 5:00 p.m., New York City time, on 2002, unless we determine, in our sole discretion, to extend the exchange offer, in which case, it will expire at the later date and time to which it is extended. We do not intend to extend the exchange offer, although we reserve the right to do so. If we determine to extend the exchange offer, we do not intend to extend it beyond 2002. If we extend the exchange offer, we will give oral or written notice of the extension to the exchange agent and give each registered holder notice by means of a press release or other public announcement of any extension prior to 9:00 a.m., New York City time, on the next business day after the scheduled expiration date.

We also reserve the right, in our sole discretion,

(1) to delay accepting any old notes or, if any of the conditions set forth below under "-- Conditions" have not been satisfied or waived, to terminate the exchange offer by giving oral or written notice of the delay or termination to the exchange agent, or

(2) to amend the terms of the exchange offer in any manner, by complying with Rule 14e-l(d) under the Exchange Act to the extent that rule applies.

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We acknowledge and undertake to comply with the provisions of Rule 14e-l(c) under the Exchange Act, which requires us to pay the consideration offered, or return the old notes surrendered for exchange, promptly after the termination or withdrawal of the exchange offer. We will notify you as promptly as we can of any extension, termination or amendment.

PROCEDURES FOR TENDERING

BOOK-ENTRY INTERESTS

The old notes were issued as global securities in fully registered form without interest coupons. Beneficial interests in the global securities, held by direct or indirect participants in DTC, are shown on, and transfers of these interests are effected only through, records maintained in book-entry form by DTC with respect to its participants.

If you hold your old notes in the form of book-entry interests and you wish to tender your old notes for exchange pursuant to the exchange offer, you must transmit to the exchange agent on or prior to the expiration date either:

(1) a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other documents required by the letter of transmittal, to the exchange agent at the address set forth on the cover page of the letter of transmittal; or

(2) a computer-generated message transmitted by means of DTC's Automated Tender Offer Program system and received by the exchange agent and forming a part of a confirmation of book-entry transfer, in which you acknowledge and agree to be bound by the terms of the letter of transmittal.

In addition, in order to deliver old notes held in the form of book-entry interests:

(1) a timely confirmation of book-entry transfer of those notes into the exchange agent's account at DTC pursuant to the procedure for book-entry transfers described below under "-- Book-Entry Transfer" must be received by the exchange agent prior to the expiration date; or

(2) you must comply with the guaranteed delivery procedures described below.

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

OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT YOUR ELECTION AND RISK. INSTEAD OF DELIVERY BY MAIL, WE RECOMMEND THAT YOU 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. YOU SHOULD NOT SEND THE LETTER OF TRANSMITTAL OR OLD NOTES TO US. YOU MAY REQUEST YOUR BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY, OR NOMINEE TO EFFECT THE ABOVE TRANSACTIONS FOR YOU.

CERTIFICATED OLD NOTES

Only registered holders of certificated old notes may tender those notes in the exchange offer. If your old notes are certificated notes and you wish to tender those notes for exchange pursuant to the exchange offer, you must transmit to the exchange agent on or prior to the expiration date, a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other required documents, to the address set forth below under "-- Exchange Agent." In addition, in order to validly tender your certificated old notes:

(1) the certificates representing your old notes must be received by the exchange agent prior to the expiration date or

(2) you must comply with the guaranteed delivery procedures described below.

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PROCEDURES APPLICABLE TO ALL HOLDERS

If you tender an old note and you do not withdraw the tender prior to the expiration date, you will have made an agreement with us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

If your old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your notes, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your 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 must be guaranteed by an eligible institution unless:

(1) old notes tendered in the exchange offer are tendered either

(A) by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal or

(B) for the account of an eligible institution; and

(2) the box entitled "Special Registration Instructions" on the letter of transmittal has not been completed.

If signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, the guarantee must be by a financial institution, which includes 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.

If the letter of transmittal is signed by a person other than you, your old notes must be endorsed or accompanied by a properly completed bond power and signed by you as your name appears on those old notes.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless we waive this requirement, in this instance you must submit with the letter of transmittal proper evidence satisfactory to us of their authority to act on your behalf.

We will determine, in our sole discretion, all questions regarding the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered old notes. This determination will be final and binding. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties.

You must cure any defects or irregularities in connection with tenders of your old notes within the time period we will determine unless we waive that defect or irregularity. Although we intend to notify you of defects or irregularities with respect to your tender of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give this notification. Your tender will not be deemed to have been made and your notes will be returned to you if:

(1) you improperly tender your old notes;

(2) you have not cured any defects or irregularities in your tender; and

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(3) we have not waived those defects, irregularities or improper tender.

The exchange agent will return your notes, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration of the exchange offer.

In addition, we reserve the right in our sole discretion to:

(1) purchase or make offers for, or offer registered notes for, any old notes that remain outstanding subsequent to the expiration of the exchange offer;

(2) terminate the exchange offer; and

(3) to the extent permitted by applicable law, purchase notes in the open market, in privately negotiated transactions or otherwise.

The terms of any of these purchases or offers could differ from the terms of the exchange offer.

By tendering, you will represent to us that, among other things:

(1) the registered notes to be acquired by you in the exchange offer are being acquired in the ordinary course of your business,

(2) you are not engaging in and do not intend to engage in a distribution of the registered notes to be acquired by you in the exchange offer,

(3) you do not have an arrangement or understanding with any person to participate in the distribution of the registered notes to be acquired by you in the exchange offer and

(4) you are not our "affiliate," as defined under Rule 405 of the Securities Act.

In all cases, issuance of registered notes for old notes that are accepted for exchange in the exchange offer will be made only after timely receipt by the exchange agent of certificates for your old notes or a timely book-entry confirmation of your old notes into the exchange agent's account at DTC, a properly completed and duly executed letter of transmittal, or a computer-generated message instead of the 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 offer or if old notes are submitted for a greater principal amount than you desire to exchange, the unaccepted or non-exchanged old notes, or old notes in substitution therefor, will be returned without expense to you. In addition, in the case of old notes, tendered by book-entry transfer into the exchange agent's account at DTC pursuant to the book-entry transfer procedures described below, the non-exchanged old notes will be credited to your account maintained with DTC, as promptly as practicable after the expiration or termination of the exchange offer.

GUARANTEED DELIVERY PROCEDURES

If you desire to tender your old notes and your old notes are not immediately available or one of the situations described in the immediately preceding paragraph occurs, you may tender if:

(1) you tender through an eligible financial institution;

(2) on or prior to 5:00 p.m., New York City time, on the expiration date, the exchange agent receives from an eligible institution, a written or facsimile copy of a properly completed and duly executed letter of transmittal and notice of guaranteed delivery, substantially in the form provided by us; and

(3) the certificates for all certificated old notes, in proper form for transfer, or a book-entry confirmation, 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.

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The notice of guaranteed delivery may be sent by facsimile transmission, mail or hand delivery. The notice of guaranteed delivery must set forth:

(1) your name and address;

(2) the amount of old notes you are tendering; and

(3) a statement that your tender is being made by the notice of guaranteed delivery and that you guarantee that within three New York Stock Exchange trading days after the execution of the notice of guaranteed delivery, the eligible institution will deliver the following documents to the exchange agent:

(A) the certificates for all certificated old notes being tendered, in proper form for transfer or a book-entry confirmation of tender;

(B) a written or facsimile copy of the letter of transmittal, or a book-entry confirmation instead of the letter of transmittal; and

(C) any other documents required by the letter of transmittal.

BOOK-ENTRY TRANSFER

The exchange agent will establish an account with respect to the book-entry interests at DTC for purposes of the exchange offer promptly after the date of this prospectus. You must deliver your book-entry interest by book-entry transfer to the account maintained by the exchange agent at DTC. Any financial institution that is a participant in DTC's systems may make book-entry delivery of book-entry interests by causing DTC to transfer the book-entry interests into the exchange agent's account at DTC in accordance with DTC's procedures for transfer.

If one of the following situations occur:

(1) you cannot deliver a book-entry confirmation of book-entry delivery of your book-entry interests into the exchange agent's account at DTC; or

(2) you cannot deliver all other documents required by the letter of transmittal to the exchange agent prior to the expiration date,

then you must tender your book-entry interests according to the guaranteed delivery procedures discussed above.

WITHDRAWAL RIGHTS

You may withdraw tenders of your old notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For your withdrawal to be effective, the exchange agent must receive a written or facsimile transmission notice of withdrawal at its address set forth below under "-- Exchange Agent" prior to 5:00 p.m., New York City time, on the expiration date.

The notice of withdrawal must:

(1) state your name;

(2) identify the specific old notes to be withdrawn, including the certificate number or numbers and the principal amount of withdrawn notes;

(3) be signed by you in the same manner as you signed the letter of transmittal when you tendered your old notes, including any required signature guarantees or be accompanied by documents of transfer sufficient for the exchange agent to register the transfer of the old notes into your name; and

(4) specify the name in which the old notes are to be registered, if different from yours.

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We will determine all questions regarding the validity, form and eligibility, including time of receipt, of withdrawal notices. Our determination will be final and binding on all parties. Any old notes withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes which have been tendered for exchange but which are not exchanged for any reason will be returned to you without cost as soon as practicable after withdrawal, rejection of tender or termination of the 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 or prior to 5:00 p.m., New York City time, on the expiration date.

CONDITIONS

Notwithstanding any other provision of the exchange offer and subject to our obligations under the registration rights agreement, we will not be required to accept for exchange, or to issue registered notes in exchange for, any old notes and may terminate or amend the exchange offer, if at any time before the acceptance of any old notes for exchange any of the following events shall occur:

(1) any injunction, order or decree shall have been issued by any court or any governmental agency that would prohibit, prevent or otherwise materially impair our ability to proceed with the exchange offer; or

(2) the exchange offer shall violate any applicable law or any applicable interpretation of the staff of the Commission.

These conditions are for our sole benefit and we may assert them regardless of the circumstances giving rise to any condition, subject to applicable law. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of these rights and these rights will be deemed ongoing rights which may be asserted at any time and from time to time. We also may waive in whole or in part at any time and from time to time any particular condition in our sole discretion. If we waive a condition, we may be required in order to comply with applicable securities laws, to extend the expiration date of the exchange offer. If we waive a condition to the exchange offer, we will give oral or written notice of the waiver to the exchange agent and give each registered holder notice by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day following the waiver.

In addition, we will not accept for exchange any old notes tendered, and no registered notes will be issued in exchange for any of those old notes, if at the time the notes are tendered 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.

The exchange offer is not conditioned on any minimum principal amount of old notes being tendered for exchange.

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EXCHANGE AGENT

We have appointed Wilmington Trust Company as exchange agent for the exchange offer. 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 Overnight Delivery or Registered or Certified Mail:
Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1615
Attn: Corporate Trust

By Hand in New York:
Wilmington Trust Company
c/o Computershare Trust Company of New York
Wall Street Plaza
88 Pine Street, 19th Floor
New York, NY 10005
Attn: Wilmington Trust/ISP

By Hand in Delaware:
Wilmington Trust Company
301 West 11th Street
Wilmington, DE 19801-1615
Attn: Corporate Trust, 1st Floor

Facsimile Transmission Number:
(For Eligible Institutions Only)
(302) 651-1079

Confirm Receipt of Facsimile by Telephone:
(302) 651-1562

The exchange agent also acts as trustee under the indenture.

FEES AND EXPENSES

We will not pay brokers, dealers, or others soliciting acceptances of the exchange offer. The principal solicitation is being made by mail. Additional solicitations, however, may be made in person or by telephone by our officers and employees.

We will pay the estimated cash expenses to be incurred in connection with the exchange offer. These 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

You will not be obligated to pay any transfer taxes in connection with a tender of your old notes for exchange unless you instruct us to register registered notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder, in which event the registered tendering holder will be responsible for the payment of any applicable transfer tax.

ACCOUNTING TREATMENT

We will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offer. We will amortize the expense of the exchange offer over the term of the registered notes under generally accepted accounting principles.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2002.

	MARCH 31, 2002
	(THOUSANDS) (UNAUDITED)
Senior Credit Facilities:	
Revolver	$ 87,400
Term loan	223,313
10 1/4% Senior Subordinated Notes due 2011	402,601
10 5/8% Senior Secured Notes due 2009	200,000
Other	236
Total long-term debt	913,550
Shareholder's equity	594,580
Total capitalization	$1,508,130

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the following unaudited pro forma consolidated financial statements on the basis set forth in the accompanying notes. We have not presented any pro forma balance sheet information since all of the Transactions are reflected in the actual consolidated balance sheet as of March 31, 2002. The accompanying pro forma consolidated statements of income give effect to the Transactions as if they had been completed as of January 1, 2001. The unaudited pro forma consolidated financial statements do not purport to project 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 as of the dates indicated.

Our unrestricted subsidiaries, including ISP Investco, had no impact on our pro forma net sales or operating income. For the impact of our unrestricted subsidiaries on our pro forma financial position and results of operations, see the footnotes to the Unaudited Pro Forma Consolidated Financial Statements beginning on page 32.

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INTERNATIONAL SPECIALTY HOLDINGS INC.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001

		ADJUSTMENTS			
				REPAYMENT OF 2002 NOTES, 2003 NOTES AND	
	ACTUAL	FINANCING TRANSACTIONS	OFFERING OF NOTES	INTERCOMPANY NOTE	PRO FORMA
			(THOUSANDS) (UNAUDITED)		
Net sales	$ 787,216	$ --	$ --	$ --	$ 787,216
Cost of products sold	(500,837)				(500,837)
Selling, general and administrative	(158,132)				(158,132)
(Provision) benefit for restructuring	471				471
Gain on insurance settlement	1,600				1,600
Amortization of goodwill and intangibles	(17,080)				(17,080)
Operating income	113,238	--	--	--	113,238
Interest expense(7)	(88,931)	(29,285)(1)	(20,840)(2)	14,918(3) 28,469(4) 2,816(5)	(92,853)
Investment losses	(2,461)				(2,461)
Other expense, net	(16,061)				(16,061)
Income before income taxes	5,785	(29,285)	(20,840)	46,203	1,863
Income taxes	(2,053)	10,393	7,395	(16,396)	(661)
Income before cumulative effect of change in accounting principle	3,732	(18,892)	(13,445)	29,807	1,202
Cumulative effect of change in accounting principle, net of taxes	(440)				(440)
Net income	$ 3,292	$(18,892)	$(13,445)	$ 29,807	$ 762

See accompanying Notes to Pro Forma Consolidated Financial Statements.

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INTERNATIONAL SPECIALTY HOLDINGS INC.

PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2002

	ACTUAL	REPAYMENT OF 2003 NOTES	PRO FORMA
		(THOUSANDS) (UNAUDITED)	
Net sales	$ 219,124	$ --	$ 219,124
Cost of products sold	(145,377)		(145,377)
Selling, general and administrative	(42,381)		(42,381)
Gain on contract termination	2,832		2,832
Amortization of intangibles	(402)		(402)
Operating income	33,796	--	33,796
Interest expense(7)	(22,842)	627(6)	(22,215)
Investment income	15,154		15,154
Other expense, net	(1,956)		(1,956)
Income before income taxes	24,152	627	24,779
Income taxes	(8,199)	(213)	(8,412)
Income before extraordinary item	15,953	414	16,367
Extraordinary item -- loss on early retirement of debt, net of income tax benefit of $2,434	(4,725)		(4,725)
Net income	$ 11,228	$ 414	$ 11,642

See accompanying Notes to Pro Forma Consolidated Financial Statements

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(THOUSANDS)

(UNAUDITED)

The following Notes to Pro Forma Consolidated Financial Statements should be read in conjunction with the description of the Transactions included elsewhere in this prospectus.

(1) Reflects interest expense, including amortization of deferred financing fees, related to the Transactions, as follows:

Interest expense on $205.0 million of 2011 Notes at 10 1/4% from January 1, 2001 to June 27, 2001	$(10,272)
Interest expense on $100.0 million of 2011 Notes at 10 1/4% from January 1, 2001 to July 31, 2001	(5,980)
Interest expense on $100.0 million of 2011 Notes at 10 1/4% from January 1, 2001 to November 13, 2001	(8,911)
Amortization of deferred financing fees and original issue discount related to the 2011 Notes and the Senior Credit Facilities	(890)
Incremental interest expense due to increased interest rates on the Senior Credit Facilities vs. the Existing Credit Facility from January 1, 2001 to June 27, 2001	(3,231)
	$(29,285)

(2) Reflects interest expense, including amortization of deferred financing fees, related to the old notes, as follows:

Interest expense on $200.0 million of old notes at 10 5/8% from January 1, 2001 to December 13, 2001	$(20,247)
Amortization of deferred financing fees related to the old notes	(593)
	$(20,840)

(3) Represents elimination of interest expense related to the repayment of the 2002 Notes in the Transactions, as follows:

Interest expense on $200.0 million of 2002 Notes at 9 3/4% from January 1, 2001 to October 15, 2001	$14,843
Amortization of deferred financing fees related to the 2002 Notes	75
	$14,918

(4) Represents elimination of interest expense and related amortization of original issue discount and deferred financing fees related to the repayment of the 2003 Notes, as follows:

Interest expense on 2003 Notes at 9% from January 1, 2001 to December 31, 2001	$28,120
Amortization of deferred financing fees and original issue discount related to the 2003 Notes	349
	$28,469

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(5) Represents elimination of interest expense related to the repayment of the long-term note payable to our parent company, ISP, with the net proceeds of the old notes, as follows:

Interest expense on $50.0 million intercompany note at an average interest rate of 5.5% for the revolving credit facility from January 1, 2001 to June 27, 2001	$1,371
Interest expense on $50.0 million intercompany note at an average interest rate of 6.2% for the revolving credit facility from June 29, 2001 to December 13, 2001	1,445
	$2,816

(6) Represents elimination of interest expense for the period January 1, 2002 to January 14, 2002 related to the repayment of the 2003 Notes on January 14, 2002.

(7) Actual and pro forma interest expense included for the periods presented below includes the following interest expense of ISP Investco, one of our unrestricted subsidiaries:

For the Year Ended December 31, 2001	$ 8,389
For the Three Months Ended March 31, 2002	$ 420

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SELECTED FINANCIAL DATA

The following information sets forth our selected financial data. The results of any interim period do not necessarily indicate the results for the full year. This information should be read in conjunction with the information in "Summary Financial Data," "Capitalization," "Unaudited Pro Forma Consolidated Financial Statements" and the consolidated financial statements included elsewhere in this prospectus.

We were formed on June 5, 2001, and the financial data presented below have been prepared on a basis which retroactively reflects our formation for all periods presented. The financial data presented below for periods prior to our formation represent the results of ISP Chemco and the results presented below for periods prior to the merger of ISP with and into ISP Holdings Inc. in July 1998 represent the results of the predecessor company to ISP.

In October 1999, we sold the stock of our filter products subsidiaries (see Note 9 to consolidated financial statements). Accordingly, the results of operations and assets and liabilities of the filter products subsidiaries have been classified as a "Discontinued Operation" within the Selected Financial Data below for all periods presented prior to 2000.

Our unrestricted subsidiaries, including ISP Investco, had no impact on net sales or operating income for the periods presented. See Note 15 to consolidated financial statements for the impact of our unrestricted subsidiaries on our financial position and results of operations as of and for the year ended December 31, 2001 and the three months ended March 31, 2002.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED	
	1997	1998	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS)						
OPERATING DATA:							
Net sales	$ 709.0	$ 784.6	$ 787.4	$ 783.9	$ 787.2	$ 203.2	$ 219.1
Operating income	138.4	71.6	146.5	82.3	113.2	26.1	33.8
Interest expense(1)	76.6	77.5	80.7	84.3	88.9	17.2	22.8
Income from continuing operations before income taxes	89.3	16.3	63.0	130.1	5.8	35.7	24.2
Income from continuing operations	57.1	9.7	40.9	84.4	3.7	23.2	16.0
Income before extraordinary item and cumulative effect of change in accounting principle	59.5	11.8	66.2	84.4	3.7	23.2	16.0
Net income	59.5	11.8	66.2	84.4	3.3	22.7	11.2

	DECEMBER 31,					MARCH 31, 2002
	1997	1998	1999	2000	2001	(UNAUDITED)
	(MILLIONS)					
BALANCE SHEET DATA:						
Cash and short-term investments	$ 188.9	$ 329.0	$ 349.4	$ 535.5	$ 366.6	$ 410.5
Restricted cash(2)	--	--	--	--	307.9	--
Total working capital	274.4	376.6	384.4	310.9	540.6	586.3
Total assets	1,393.9	1,718.3	1,805.1	1,923.5	2,149.4	1,867.9
Total long-term debt(3)	853.9	947.0	908.9	799.3	1,229.8	913.6
Total debt(3)	892.1	1,058.8	1,014.3	968.0	1,230.0	913.6
Total shareholder's equity	264.4	388.1	468.1	580.9	562.6	594.6

(Footnotes on following page)

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	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED	
	1997	1998	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS, EXCEPT RATIO DATA)						
OTHER DATA:							
Depreciation	$ 40.9	$ 48.9	$ 48.2	$ 50.9	$ 52.7	$12.9	$ 13.6
Amortization of goodwill and intangibles	13.2	14.9	16.2	16.0	17.1	4.0	0.4
Capital expenditures and acquisitions	67.6	163.8	108.9	58.4	101.4	9.9	8.8
Cash flows from:							
Operating activities	41.9	149.1	116.0	46.1	264.4	4.5	35.7
Investing activities	(41.3)	(315.0)	(36.0)	(51.2)	(187.9)	(34.0)	126.2
Financing activities	1.5	168.8	(79.6)	(1.6)	(12.9)	27.2	(19.3)
EBITDA(4)	220.0	157.5	208.0	281.3	164.5	69.8	61.0
Ratio of earnings to fixed charges(5)	2.2x	1.2x	1.7x	2.4x	1.1x	2.9x	2.0x
Ratio of EBITDA to interest expense(4)	2.9x	2.0x	2.6x	3.3x	1.8x	4.0x	2.7x

	YEAR ENDED DECEMBER 31, 2001	THREE MONTHS ENDED MARCH 31, 2002
	(MILLIONS, EXCEPT RATIO DATA) (UNAUDITED)	
PRO FORMA OPERATING DATA:(6)		
EBITDA(4)	$164.5	$61.0
Interest expense	92.9	22.2
Income before extraordinary item and cumulative effect of change in accounting principle	1.2	16.4
Ratio of earnings to fixed charges(5)	1.0x	2.0x
Ratio of EBITDA to interest expense(4)	1.8x	2.7x

(1) Includes the effect of the retroactive push-down of the 2003 Notes on our consolidated balance sheet for all periods presented.

(2) Represents $125.8 million of the net proceeds from the issuance of the old notes and a portion ($182.1 million) of the net proceeds from the issuances of the 2011 Notes, which were placed in a restricted cash escrow account and distributed to our parent, ISP, to retire the 2003 Notes on January 14, 2002.

(3) See "Capitalization" and Note 15 to consolidated financial statements.

(4) EBITDA is calculated as income from continuing operations before income taxes, increased by interest expense, depreciation and goodwill amortization. As an indicator of operating performance, EBITDA should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

(5) For purposes of these computations, earnings consist of income from continuing operations before income taxes, plus fixed charges. Fixed charges consist of interest expense, plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(6) The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 2001. See "Unaudited Pro Forma Consolidated Financial Statements."

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

International Specialty Holdings Inc., a wholly owned subsidiary of International Specialty Products Inc., which we refer to as "ISP", was formed on June 5, 2001 in connection with a corporate restructuring (see Note 1 to Consolidated Financial Statements). The consolidated financial statements included elsewhere in this prospectus have been prepared on a basis which retroactively reflects our formation for all periods presented. The net income presented up to the date that we were formed has been reflected as dividends and/or distributions to ISP. Financial data presented herein for periods prior to our formation represent the results of ISP Chemco Inc., one of our wholly owned subsidiaries.

In October 1999, we sold the stock of our filter products subsidiaries (see Note 9 to consolidated financial statements). Accordingly, the results of operations of the filter products subsidiaries have been classified as a "Discontinued Operation" within the consolidated financial statements for the year 1999. The following discussion is on a continuing operations basis.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS)				
Net sales:					
Personal care	$187.1	$189.0	$196.2	$ 56.3	$ 53.3
Pharmaceutical, food and beverage	177.3	232.8	234.6	55.5	60.4
Performance chemicals, fine chemicals and industrial	335.7	290.2	275.7	73.0	81.4
Total specialty chemicals	700.1	712.0	706.5	184.8	195.1
Mineral products	87.3	71.9	80.7	18.4	24.0
Net sales	$787.4	$783.9	$787.2	$203.2	$219.1
Operating income:					
Personal care	$ 47.1	$ 33.2	$ 34.0	$ 12.2	$ 7.5
Pharmaceutical, food and beverage	40.7	48.0	48.5	12.9	13.5
Performance chemicals, fine chemicals and industrial	44.0	4.4	18.5	(0.2)	7.1
Total specialty chemicals	131.8	85.6	101.0	24.9	28.1
Mineral products	16.1	9.4	10.7	0.6	5.7
Total segment operating income	147.9	95.0	111.7	25.5	33.8
Unallocated corporate office income (expenses)	(1.0)	1.7	1.0	0.6	--
(Provision) benefit for restructuring	(0.4)	(14.4)	0.5	--	--
Operating income	$146.5	$ 82.3	$113.2	$ 26.1	$ 33.8

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent liabilities. On an on-going basis, we evaluate our estimates, including but not limited to those related to doubtful accounts, inventory valuation, investments, environmental liabilities, goodwill and intangible assets, pensions and other postemployment benefits, and contingent liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of

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assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We do not anticipate any changes in management estimates that would have a material impact on our operations, liquidity or capital resources. We believe the following critical accounting policies are the most important to the portrayal of our financial condition and results of operations and require our management's more significant judgments and estimates in the preparation of our consolidated financial statements.

REVENUE RECOGNITION

For sales of specialty chemicals products in North America, Latin America and in the Asia-Pacific region, revenue is generally recognized at the time products are shipped to the customer. Products are generally shipped FOB shipping point and title passes to the customer accordingly. In Europe, shipments to customers are generally on a delivered duty paid basis. Revenue is therefore recognized and title passes to the customer at the time the product is received by the customer. Normal terms for sales of specialty chemicals are 30 days net. There are no special conditions for sales that occur through third party distributors.

For sales of mineral products, revenue is recognized at the time products are shipped to the customer. Products are shipped FOB shipping point and title passes to the customer accordingly. Normal terms for sales of mineral products are 1%/15th of the month following date of sale, net end of month.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Management continuously assesses the financial condition of our customers and the markets in which these customers participate. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

INVENTORIES

Inventories are valued at the lower of cost or market. The LIFO (last-in, first-out) method is utilized to determine cost for substantially all domestic acetylene-based finished goods and work-in-process and the raw materials to produce these products. All other inventories are valued on the FIFO (first-in, first out) method. We write down our inventories for estimated obsolescence or unmarketable inventories equal to the difference between the cost of inventories and their estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

SHORT-TERM INVESTMENTS

Our investment strategy is to seek returns in excess of money market rates on our available cash while minimizing market risks. There can be no assurance that we will be successful in implementing such a strategy. We invest primarily in international and domestic arbitrage and securities of companies involved in acquisition or reorganization transactions. From time to time, we invest in securities of companies that we consider undervalued. With respect to our equity positions, we are exposed to the risk of market loss.

Our short-term investments are reported at fair value. For securities classified as "trading" (including short positions), unrealized gains and losses are reflected in the results of operations. For securities classified as "available-for-sale," unrealized gains and losses, net of income tax effect, are included in a separate component of shareholder's equity, "Accumulated other comprehensive income (loss)." The determination of cost in computing realized and unrealized gains and losses is based on the specific identification method. We periodically review available-for-sale securities for other than temporary impairment when the cost basis of a security exceeds the market value. Declines in the value of these investments or adverse changes in market conditions could result in impairment charges in the future.

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GOODWILL AND OTHER INTANGIBLES

Through December 31, 2001, we amortized goodwill and certain other intangible assets on a straight-line basis over the expected useful lives of the underlying assets. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, goodwill is no longer being amortized over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. This assessment could result in a material future impairment charge. Other intangible assets will be amortized over their useful lives. The useful life of an intangible asset is based on management's assumptions regarding the expected use of the asset and other assumptions. If events or circumstances indicate that the life of an intangible asset has changed, it could result in higher future amortization charges or recognition of an impairment loss. At March 31, 2002, we had net goodwill of $497.4 million and other intangible assets of $14.8 million.

ENVIRONMENTAL LIABILITY

We accrue environmental costs when it is probable that we have incurred a liability and the expected amount can be reasonably estimated. The amount accrued reflects our assumptions about remedial requirements at the contaminated site, the nature of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties. Adverse decisions or events, particularly as to increases in remedial costs, discovery of new contamination, assertion of natural resource damages, plans for development of our Linden, New Jersey property, and the liability and the financial responsibility of our insurers and of the other parties involved at each site and their insurers, could cause us to increase our estimate of liability in respect of those matters. It is not currently possible to estimate the amount or range of any additional liability.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

We maintain defined benefit plans that provide eligible employees with retirement benefits. In addition, while we generally do not provide postretirement medical and life insurance benefits, we subsidize such benefits for certain employees and certain retirees. The costs and obligations related to these benefits reflect our assumptions related to general economic conditions (particularly interest rates), expected return on plan assets, and rate of compensation increases for employees. Projected health care benefits additionally reflect our assumptions about health care cost trends. The cost of providing plan benefits also depends on demographic assumptions including retirements, mortality, turnover, and plan participation. If actual experience differs from these assumptions, the cost of providing these benefits could increase or decrease.

RESULTS OF OPERATIONS

FIRST THREE MONTHS 2002 COMPARED WITH FIRST THREE MONTHS 2001

We recorded net income of $11.2 million for the first three months of 2002 compared with $22.7 million in the first three months of 2001. The first three months of 2001 results reflected $4.0 million of goodwill amortization. In accordance with SFAS No. 142, goodwill is no longer amortized over its estimated useful life, but rather will be subject to at least an annual assessment for impairment. See further discussion below in "Liquidity and Financial Condition." Net income for the first quarter of 2001, adjusted to exclude goodwill amortization, would have been $26.7 million. See Note 3 to consolidated financial statements.

Results for the first three months of 2002 include a pre-tax gain of $2.8 million on a contract termination related to the sale of the FineTech business (see Note 6 to consolidated financial statements) and an after-tax extraordinary charge of $4.7 million on the early retirement of debt (see Note 15 to consolidated financial statements). Results for the first three months of 2001 included an after-tax charge of $0.4 million, representing the cumulative effect of adopting SFAS No. 133, "Accounting for Derivative

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Instruments and Hedging Activities." Excluding the effects of such nonrecurring items and the goodwill amortization in 2001, adjusted "Income before extraordinary item and cumulative effect of accounting change" for the first three months of 2002 was $14.1 million compared with $27.2 million for the first three months of 2001. On a comparable basis, the lower results in the first three months of 2002 were attributable to $17.9 million lower investment income and $5.6 million higher interest expense, partially offset by $7.7 million higher operating income and $4.2 million lower other expense.

Net sales for the first three months of 2002 were $219.1 million compared with $203.2 million for the same period in 2001. The 8% increase in sales in the first three months of 2002 resulted primarily from the contribution to sales from the industrial biocides business ($7.7 million), which was acquired on December 31, 2001, and by higher unit volumes in the mineral products, pharmaceutical and beverage, and fine chemicals businesses (totaling $18.4 million), partially offset by lower unit volumes in the industrial and personal care businesses (totaling $4.7 million), lower pricing and mix in the industrial business ($1.8 million) and by the adverse effect of the stronger U.S. dollar in Europe ($1.9 million).

Operating income for the first three months of 2002 was $33.8 million compared with $26.1 million for the first three months of 2001. Excluding the one-time gain on contract termination of $2.8 million in the first three months of 2002 and $4.0 million of goodwill amortization in the first three months of 2001, operating income was $31.0 million for the first three months of 2002, a 3% increase compared with $30.1 million for the first three months of 2001. On a comparable basis, the $0.9 million increase in operating income in the first three months of 2002 was primarily attributable to improvements in operating profits in the mineral products and the performance chemicals, fine chemicals and industrial business segments (totaling $7.2 million), partially offset by $5.9 million of lower operating profits in the personal care business segment.

Interest expense for the first three months of 2002 was $22.8 million versus $17.2 million for the same period last year. The increase was due both to higher average interest rates and higher average borrowings. Investment income in the first three months of 2002 was $15.2 million compared with $33.0 million in the same period last year, reflecting lower realized and unrealized gains in this year's three-month period. Other expense, net, for the first three months of 2002 was $2.0 million compared with $6.2 million in last year's first three months, with the lower expense due to a $2.5 million provision for environmental liability in last year's three-month period related to a discontinued location and also $1.6 million of foreign exchange losses in last year's three-month period.

Business Segment Review

A discussion of operating results for each of our business segments follows. We operate our specialty chemicals business through three reportable business segments, in addition to the mineral products segment.

Personal Care

Sales in the first three months of 2002 were $53.3 million compared with $56.3 million for the same period last year, while operating income for the first three months of 2002 decreased to $7.5 million from $12.2 million in last year's period. The decrease in sales reflected lower unit volumes ($2.3 million) mainly in North and Latin America and the adverse effect of the stronger U.S. dollar in Europe ($0.6 million). The lower operating income primarily resulted from lower gross margins due to an unfavorable product mix ($2.1 million) and unfavorable manufacturing costs ($2.1 million).

Pharmaceutical, Food and Beverage

Sales for the pharmaceutical, food and beverage segment were $60.4 million for the first three months of 2002, a 9% increase compared with $55.7 million for the first three months of 2001. Sales for the pharmaceutical and beverage business increased by 13% in the first three months of 2002, reflecting higher unit volumes ($6.1 million), primarily higher pharmaceutical unit volumes in the excipients and oral care

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markets in Europe and North America. Sales for the alginates food business decreased by 13% due to lower unit volumes ($0.9 million) in North America and Europe.

Operating income for the pharmaceutical, food and beverage segment was $13.5 million in the first three months of 2002 compared with $12.9 million in the same period last year. Operating income for the pharmaceutical and beverage business increased 12% in the first three months of 2002 compared with the same period in 2001. The improvement reflected the higher unit volumes, partially offset by an unfavorable product mix ($1.0 million) and higher administrative and selling expenses ($1.7 million). Operating results for the alginates food business decreased by $0.9 million in the first three months of 2002 due to unfavorable manufacturing costs.

Performance Chemicals, Fine Chemicals and Industrial

Sales in the first three months of 2002 were $81.4 million compared with $73.0 million in the first three months of 2001. The 11.5% increase was primarily attributable to the industrial biocides business ($7.7 million), which was acquired on December 31, 2001. In addition, fine chemicals sales increased by $6.2 million in the first three months of 2002 compared with last year's three-month period due to higher sales volumes. Industrial business sales decreased by $4.7 million (12%) in the first three months versus the same period last year, primarily due to lower unit volumes ($2.4 million) and unfavorable pricing and mix ($1.8 million). Market selling prices of butanediol decreased by approximately 20% in the first three months of 2002 compared with average 2001 levels due to weakening demand and in anticipation of new European capacity expected later in 2002.

Operating results for the performance chemicals, fine chemicals and industrial segment reflected an operating profit of $7.1 million in the first three months of 2002 compared with a loss of $0.1 million for the first three months of 2001. Excluding the $2.8 million gain on contract termination, operating income for the first quarter of 2002 was $4.2 million. The improvement was attributable to a $4.0 million improvement in the industrial business primarily resulting from favorable manufacturing efficiencies due to consolidation of our butanediol production at our Marl, Germany facility, together with lower methanol and natural gas prices, partially offset by unfavorable pricing, mix and volumes (totaling $3.7 million). Operating income was also favorably impacted by the contribution to income of the industrial biocides business acquired on December 31, 2001. Operating income for the performance chemicals and fine chemicals businesses declined by a total of $0.8 million in the first three months of 2002 primarily due to unfavorable manufacturing costs ($2.7 million) and, to a lesser extent, higher operating expenses ($0.8 million), partially offset by the impact of the higher fine chemicals volumes ($2.6 million).

Mineral Products

Sales for the mineral products segment for the first three months of 2002 were $24.0 million compared with $18.4 million for the first three months of 2001. The 30% increase reflected $3.9 million (26%) of higher sales to Building Materials Corporation of America, an affiliate, and $1.7 million (53%) of higher third party sales. The increased sales reflected higher unit volumes ($6.3 million) resulting from an increased demand for roofing granules. Operating income for the first three months of 2002 was $5.7 million compared with $0.6 million for the first three months of 2001, reflecting favorable manufacturing efficiencies as well as the impact of the higher volumes.

2001 COMPARED WITH 2000

We recorded net income in 2001 of $3.3 million compared with $84.4 million in 2000. The lower results were attributable to investment losses of $2.5 million in 2001 compared with investment income of $144.4 million in 2000, as well as $4.7 million in higher interest expense, partially offset by $30.9 million of improved operating income. The results for 2001 include an after-tax charge of $0.4 million for the cumulative effect of adopting Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Also included in the results for 2001 are a $1.6 million

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gain on an insurance settlement and a $0.5 million reversal of excess restructuring reserves established in 2000.

The results for 2000 included a $14.4 million provision for restructuring and a $3.5 million gain on a contract settlement. Excluding the effect of such nonrecurring items in each year, net income for 2001 was $2.4 million compared with net income of $91.6 million in 2000.

Sales for 2001 were $787.2 million compared with $783.9 million in 2000. The increase in sales resulted from higher volumes in the pharmaceutical and beverage, personal care, and mineral products businesses (totaling $33.5 million) and improved pricing and mix in the industrial business ($22.4 million), offset by lower volumes in the industrial, alginates and fine chemicals businesses (totaling $45.3 million) and by the adverse effect of the stronger U.S. dollar ($10.8 million), primarily in Europe.

Operating income for the year 2001 was $113.2 million compared with $82.3 million in 2000. Excluding nonrecurring items in each year, operating income for 2001 was $111.2 million, a 15% increase compared with $96.7 million in 2000. The improvement in operating income resulted primarily from higher volumes and favorable manufacturing costs in the pharmaceutical and beverage and the fine chemicals businesses (totaling $21.7 million), and improved pricing and favorable manufacturing costs in the industrial and mineral products businesses (totaling $41.0 million). These gains were partially offset by the impact of lower volumes in the industrial, alginates and performance chemicals businesses (totaling $14.1 million), unfavorable manufacturing costs in the alginates and performance chemicals businesses (totaling $9.8 million) and by the adverse effect of the stronger U.S. dollar ($6.2 million), primarily in Europe. Operating income in 2001 increased in Europe, Asia-Pacific and Latin America. Excluding the nonrecurring items in each year discussed above, operating income decreased in the U.S. by $10.3 million in 2001.

Interest expense for 2001 was $88.9 million, a $4.7 million (6%) increase over the $84.3 million recorded in 2000, with the increase due to higher average borrowings, primarily reflecting the debt financing transactions discussed below in "Liquidity and Financial Condition," partially offset by the impact of lower average interest rates ($2.9 million).

Investment losses in 2001 were $2.5 million, which included a $27.6 million write-down to fair market value of certain available-for-sale securities which were sold shortly after the balance sheet date. Investment income in 2000 was $144.4 million and included net gains of $123.5 million from the sale of our investments in Dexter Corporation and Life Technologies, Inc. (see Note 4 to consolidated financial statements).

Other expense, net, comprises 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 expense. Other expense, net, was $16.1 million in 2001 compared with $18.4 million in 2000. Other expense in 2000 reflected a $2.2 million write-off of receivables from G-I Holdings, a former indirect parent company (see Note 18 to consolidated financial statements).

Business Segment Review

A discussion of operating results for each of our business segments follows. We operate our specialty chemicals business through three reportable business segments, in addition to the mineral products segment. See Notes 19 and 20 to consolidated financial statements for additional business segment and geographic information.

Personal Care

Sales for the personal care business segment in 2001 were $196.2 million compared with $189.0 million in 2000, while operating income in 2001 was $34.0 million compared with $33.2 million in 2000. The 4% increase in sales resulted primarily from higher volumes ($8.6 million), mainly in the North American and European hair care markets, reflecting strong mass market sales of hair gels and styling aids, and, to a lesser extent, favorable pricing and mix ($1.9 million). These sales gains were partially

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offset by lower volumes in the North American skin care market ($3.7 million), reflecting increased competition in the sunscreen and preservative markets, and were also impacted by the adverse effect of the stronger U.S. dollar ($3.3 million), primarily in Europe.

The increase in operating income in 2001 was attributable to the favorable volumes and pricing and to favorable manufacturing costs (totaling $9.4 million), offset by an unfavorable mix and higher operating expenses (totaling $6.0 million) and the unfavorable effect of the stronger U.S. dollar ($2.3 million), primarily in Europe.

Pharmaceutical, Food and Beverage

Sales for the pharmaceutical, food and beverage segment were $234.6 million in 2001 compared with $232.8 million in 2000. Sales for the pharmaceutical and beverage business increased $14.8 million (9%), reflecting volume growth ($14.7 million) across all regions and, to a lesser extent, favorable pricing and mix ($3.0 million), partially offset by the impact of the stronger U.S. dollar ($2.9 million). The sales growth in pharmaceutical and beverage was primarily the result of strong sales in the excipients and beverage markets, partially offset by lower sales in the oral care market. Sales for the alginates food business decreased in 2001 by $13.0 million (20%) due to lower volumes ($11.8 million) and unfavorable pricing and mix ($1.2 million) across all regions due to competitive pressures.

Operating income for the pharmaceutical, food and beverage segment was $48.5 million in 2001 compared with $48.0 million in 2000. Operating income for the pharmaceutical and beverage business increased 37% in 2001 due to the higher volumes and pricing and to lower manufacturing costs which reflected cost savings from lower natural gas prices. Partially offsetting these improvements was the adverse impact of the stronger U.S. dollar ($2.2 million), primarily in Europe. Operating results for the alginates food business decreased by $13.0 million from 2000, resulting from the lower unit volumes, unfavorable manufacturing costs related to lower production volumes and the impact of unfavorable pricing.

Performance Chemicals, Fine Chemicals and Industrial

Sales for the performance chemicals, fine chemicals and industrial segment were $275.7 million for 2001, a decrease of $14.5 million (5%) compared with $290.2 million in 2000, while operating income increased to $18.5 million in 2001 compared with $4.4 million in 2000. Although all three businesses experienced sales declines in 2001, the decrease in sales was principally attributable to 8% lower industrial sales.

Sales for the performance chemicals business decreased by $0.6 million (1%) in 2001. The decline in sales resulted from the adverse impact of the stronger U.S. dollar in Europe ($1.4 million) and slightly lower volumes ($0.3 million) in the specialty coatings and adhesives market, offset by favorable pricing and mix ($1.1 million). Operating results for the performance chemicals business decreased by $8.0 million in 2001 due mainly to an unfavorable product mix and higher manufacturing costs and, to a lesser extent, the impact of the lower volumes and the stronger U.S. dollar ($0.9 million).

Sales for the fine chemicals business decreased $0.7 million (1.5%) in 2001, while operating income increased $4.4 million. The lower sales reflected lower volumes related to contract sales to Polaroid, offset by sales of $2.2 million from the FineTech business, which was acquired in the second quarter of 2001 (see Note 11 to consolidated financial statements), and by volume increases from other fine chemicals products ($3.5 million). The higher operating income for fine chemicals in 2001 resulted from a significantly improved gross margin due to favorable manufacturing costs, and the favorable impact of the FineTech acquisition, partially offset by increased operating expenses ($3.2 million). The gross margin in 2000 for fine chemicals was adversely impacted by higher energy costs and lower plant utilization.

Sales for the industrial business decreased by $13.3 million (8%) in 2001, with the decrease resulting from lower volumes ($32.5 million) and the adverse impact of the stronger U.S. dollar in Europe ($3.1 million), partially offset by improved pricing and mix ($22.4 million). Operating income for the

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industrial business improved by $17.7 million in 2001, resulting from the improved pricing and favorable manufacturing costs, reflecting favorable methanol and raw material pricing, partially offset by the impact of unfavorable volumes ($9.7 million) and the impact of the stronger U.S. dollar ($0.8 million).

Mineral Products

Sales for the mineral products segment in 2001 were $80.7 million, an $8.8 million (12%) increase compared with sales of $71.9 million in 2000, while operating income increased $1.3 million (14%) to $10.7 million in 2001. The higher sales resulted from a $4.7 million (38%) increase in third party sales and a $4.1 million (7%) increase in sales to Building Materials Corporation of America, an affiliate. The higher operating profits in 2001 reflected the improved volume and favorable manufacturing efficiencies, partially offset by higher natural gas prices and higher operating expenses ($0.7 million) due mainly to an increased provision for doubtful accounts.

2000 COMPARED WITH 1999

We recorded income from continuing operations in 2000 of $84.4 million compared with $40.9 million in 1999. Including income from a discontinued operation of $25.3 million, which reflected an after-tax gain of $23.5 million from the sale of filter products, net income in 1999 was $66.2 million.

The results for 2000 included a $14.4 million provision for restructuring and a $3.5 million gain on a contract settlement, while the results for 1999 included an $8.5 million pre-tax gain from the sale of our pearlescent pigments business, a non-core product line. Also in 1999, we reversed previously recorded restructuring reserves in the amount of $1.9 million and established a staff reduction program for which a pre-tax provision for severance of $2.3 million was recorded (see note 5 to consolidated financial statements). Excluding the effect of such nonrecurring items in each period, income from continuing operations for 2000 was $91.6 million compared with $35.6 million in 1999. On a comparable basis, the higher income from continuing operations in 2000 was attributable to $141.9 million in higher investment income, partially offset by $41.7 million of lower operating income, $3.6 million of higher interest expense and $11.4 million of higher other expense.

Sales for 2000 were $783.9 million compared with $787.4 million in 1999. The decrease in sales was primarily attributable to lower volumes in the fine chemicals, mineral products and performance chemicals businesses (totaling $50.1 million), the adverse effect of the stronger U.S. dollar ($27.5 million), principally in Europe, and to lower pricing and mix in the industrial business ($20.0 million), partially offset by the full year's contribution to sales by the alginates business ($66.5 million) acquired in October 1999 (see Note 9 to consolidated financial statements) and by improved volumes in the pharmaceutical and beverage business and the personal care segment (totaling $19.8 million). Sales in 2000 reflected 13% and 23% higher sales in the Asia-Pacific and Latin America regions, respectively, offset by lower sales in the U.S. and Europe.

Operating income was $82.3 million in 2000 compared with $146.5 million in 1999. Excluding nonrecurring items in each year, operating income for 2000 was $96.7 million compared with $138.4 million in 1999. The decrease in 2000 was attributable to lower pricing and mix in the industrial business ($20.0 million), the adverse effect of the stronger U.S. dollar in Europe ($15.5 million), higher raw material and energy costs which lowered gross margins, and lower volumes in fine chemicals, mineral products and performance chemicals (totaling $19.8 million), partially offset by the full year's contribution to operating income of the alginates business ($11.3 million). Operating income in 2000 decreased in the U.S. and Europe, due to the factors discussed above, while the Asia-Pacific and Latin America regions experienced a 50% and 14%, respectively, growth in operating income in 2000 over 1999.

Interest expense for 2000 was $84.3 million, a $3.6 million (4%) increase over the $80.7 million recorded in 1999, with the increase due primarily to higher average interest rates, partially offset by lower average borrowings ($0.6 million).

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Investment income was $144.4 million in 2000 compared with $4.1 million in 1999. The increase in investment income reflected net gains in 2000 of $123.5 million from the sale of our investments in Dexter Corporation and Life Technologies, Inc. (see Note 4 to consolidated financial statements). Our total gain related to these investments prior to and in 1999 and 2000 was approximately $146 million prior to expenses.

Other expense, net, was $18.4 million in 2000 versus other expense, net of $7.0 million in 1999. Other expense, net, in 2000 reflected $1.7 million of foreign exchange losses versus $4.9 million of foreign exchange gains in 1999 and also reflected a $2.2 million write-off of receivables from G-I Holdings (see Note 18 to consolidated financial statements).

Business Segment Review

A discussion of operating results for each of our business segments follows. We operate our specialty chemicals business through three reportable business segments, in addition to the mineral products segment. See Notes 19 and 20 to consolidated financial statements for additional business segment and geographic information.

Personal Care

Sales for the personal care segment in 2000 were $189.0 million compared with $187.1 million in 1999, while operating income in 2000 was $33.2 million compared with $47.1 million in 1999, which included an $8.5 million pre-tax gain on the sale of the pearlescent pigments business, a non-core product line. The sales increase reflected higher volumes ($10.3 million), mainly in hair care products, partially offset by the adverse effect of the stronger U.S. dollar in Europe ($5.9 million) and lower average pricing in both hair care and skin care (totaling $2.4 million).

Operating income, excluding the gain in 1999 on the sale of the pearlescent pigments business, decreased by $5.4 million in 2000 to $33.2 million, as the impact of volume increases ($9.1 million) was offset by higher manufacturing and operating expenses (totaling $7.3 million), the adverse effect of the stronger U.S. dollar in Europe ($4.8 million) and lower average pricing ($2.4 million).

Pharmaceutical, Food and Beverage

Sales for the pharmaceutical, food and beverage segment were $232.8 million in 2000 compared with $177.3 million in 1999, principally reflecting a full year's contribution to sales from the alginates business ($66.5 million), compared with $12.8 million in 1999 after the date of its acquisition in October 1999. Sales for the pharmaceutical and beverage business increased $1.8 million, reflecting volume growth across all regions ($9.6 million), partially offset by the impact of the stronger U.S. dollar ($6.5 million). The sales growth was primarily the result of strong sales in the oral care and excipients markets.

Operating income for the pharmaceutical, food and beverage segment was $48.0 million in 2000, an 18% improvement compared with $40.7 million in 1999, with the increase resulting from the full year's contribution from the alginates business. Operating income for the pharmaceutical and beverage business decreased 9% in 2000 as the impact of favorable volumes was offset by the adverse impact of the stronger U.S. dollar in Europe ($5.2 million) and higher operating expenses ($2.7 million).

Performance Chemicals, Fine Chemicals and Industrial

Sales for the performance chemicals, fine chemicals and industrial segment were $290.2 million for 2000, a decrease of $45.5 million (14%) compared with $335.7 million in 1999, while operating income declined to $4.4 million in 2000 compared with $44.0 million in 1999. Although all three businesses experienced significant sales declines in 2000, the decrease in sales was primarily attributable to 34% lower fine chemicals sales.

Sales for the performance chemicals business decreased by $12.3 million (13%) in 2000. The primary factors for the decline in sales were lower volumes ($9.2 million), mainly in Europe and North America in

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PVP polymers in the household, industrial and institutional markets, in addition to the adverse impact of the stronger U.S. dollar in Europe ($3.0 million). Operating income for the performance chemicals business decreased by $6.3 million (46%) in 2000 due to the volume shortfalls and the stronger dollar ($2.4 million), partially offset by an improved gross margin due to favorable manufacturing costs ($3.1 million).

Sales for the fine chemicals business decreased $23.9 million (34%) in 2000, while operating income decreased $19.1 million (85%). The fine chemicals business was significantly impacted by the expiration of a substantial custom manufacturing agreement at the end of 1999. Sales related to this agreement contributed $32.2 million of sales and $17.4 million of gross margin in 1999. Higher sales volumes of other fine chemicals products ($8.7 million) partially offset the impact of this contract termination. The lower operating income in 2000 was also impacted by higher energy costs and lower plant utilization.

Sales for the industrial business decreased by $9.3 million in 2000, with the decrease resulting from unfavorable selling prices and mix ($20.0 million) and the adverse impact of the stronger U.S. dollar in Europe ($12.1 million), partially offset by volume increases ($22.8 million) in Europe and Asia-Pacific. As a result of the unfavorable pricing and the impact of the stronger dollar ($3.1 million), operating results for the industrial business decreased by $14.4 million in 2000.

Mineral Products

Sales for the mineral products segment in 2000 were $71.9 million, a $15.4 million (18%) decrease compared with sales of $87.3 million in 1999, while operating income decreased $6.7 million (42%) to $9.4 million in 2000. The lower sales and operating income resulted from substantially lower third party sales, resulting from the loss of two major trade customers for colored roofing granules in the fourth quarter of 1999, which together accounted for approximately 68% of mineral products third party sales and approximately 23% of total mineral products sales in 1999. The loss of these customers adversely impacted the year 2000 sales by $19.3 million. Operating income in 2000 was also impacted by higher energy costs.

LIQUIDITY AND FINANCIAL CONDITION

During the first three months of 2002, our net cash inflow before financing activities was $161.9 million, reflecting $35.7 million of cash generated from operations, the reinvestment of $8.8 million for capital programs and $135.0 million of cash generated from net sales of available-for-sale securities.

Cash generated from operations in the first three months of 2002 included a $3.2 million net cash inflow related to investments in trading securities. Excluding this cash inflow, cash provided from operations totaled $32.5 million. Cash invested in additional working capital totaled $6.5 million during the first three months of 2002, reflecting a $14.5 million decrease in payables and accrued liabilities, primarily due to payments of accrued interest, and a $12.3 million increase in receivables, partially offset by a $19.8 million decrease in inventories. The higher receivables resulted from $27.0 million of higher sales in the first three months of 2002 versus the fourth quarter of 2001 and the reduced inventories resulted from our inventory reduction program that was substantially completed during the first three months of 2002.

Net cash used in financing activities during the first three months of 2002 totaled $19.3 million, primarily reflecting a $7.9 million decrease in borrowings under our bank revolving credit facility and a $4.6 million call premium on the redemption of debt. On January 14, 2002, ISP redeemed the remaining $307.9 million aggregate principal amount of its 9% Senior Notes due 2003, which we refer to as the "2003 Notes." The 2003 Notes were redeemed at a redemption price of 101.5% of the principal amount plus accrued and unpaid interest to the redemption date. The redemption was funded utilizing a restricted cash escrow account which had been established in 2001 in connection with the debt financing transactions discussed below. In addition, financing activities included a $16.9 million distribution to ISP to pay for fees and expenses from the issuance of $200.0 million principal amount of 10 5/8% Senior Secured Notes due 2009, which we refer to as the "2009 Notes" (see below). This distribution was offset by an $11.7 million capital contribution from ISP.

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As a result of the foregoing factors, cash and cash equivalents increased by $142.6 million during the first three months of 2002 to $220.4 million, excluding $190.1 million of trading and available-for-sale securities and other short-term investments.

During 2001, our net cash flow before financing activities was $76.5 million, including $264.4 million of cash generated from operations, the reinvestment of $101.4 million for capital programs and the acquisitions of the FineTech business and the industrial biocides business of Degussa Corporation (see Note 11 to consolidated financial statements), and the use of $86.5 million of cash for net purchases of available-for-sale securities and other short-term investments.

Cash from operations for 2001 reflected a $172.6 million cash flow from net sales of trading securities. Excluding this cash flow, cash provided from operations for 2001 totaled $91.8 million. Cash from operations also reflects non-cash charges of $43.5 million from unrealized losses on securities in 2001 (see Note 3 to consolidated financial statements). Cash invested in additional working capital totaled $41.0 million, primarily reflecting a $34.5 million increase in inventories, due mainly to higher production levels, and a $9.5 million decrease in payables and accrued liabilities.

Net cash used in financing activities in 2001 totaled $12.9 million, reflecting the debt financing transactions discussed below, financing fees and expenses of $20.5 million related to the debt financing transactions, repayments of long-term debt totaling $246.0 million, a $143.5 million decrease in short-term borrowings and a $100.8 million decrease in borrowings under our revolving credit agreement. In addition, financing activities in 2001 also included a repayment of all loans with ISP totaling $73.9 million and $35.0 million of dividends and distributions to ISP, offset by an $86.3 million capital contribution from ISP.

On June 27, 2001, ISP Chemco, one of our direct, wholly owned subsidiaries, and three of its wholly owned subsidiaries jointly issued $205.0 million aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2011, which we refer to as the "2011 Notes." The net proceeds of $197.3 million, after discount and fees, were placed in a restricted cash escrow account and used to retire ISP's 9 3/4% Senior Notes due 2002, which we refer to as the "2002 Notes." During the third quarter of 2001, ISP retired $19.9 million of the 2002 Notes, and the remaining $180.0 million of the 2002 Notes were retired on or prior to October 15, 2001. On July 31, 2001, ISP Chemco and those same three wholly owned subsidiaries jointly issued an additional $100.0 million aggregate principal amount of the 2011 Notes. These notes have the same terms as the 2011 Notes issued in June 2001. The net proceeds were $98.9 million, including $0.9 million of accrued interest from June 27, 2001 to the date of issuance, of which $98.0 million were placed in a restricted cash escrow account and used to retire a portion of the 2003 Notes. On November 13, 2001, ISP Chemco and those same three wholly owned subsidiaries jointly issued an additional $100.0 million aggregate principal amount of the 2011 Notes. These notes have the same terms as the 2011 Notes issued in June 2001 except with respect to interest accrual and registration rights. The net proceeds of $101.0 million were placed in a restricted cash escrow account and used to retire a portion of the 2003 Notes. ISP retired $16.9 million aggregate principal amount of the 2003 Notes in 2001 and redeemed the remaining $307.9 million aggregate principal amount of the 2003 Notes on January 14, 2002. We recorded an after-tax extraordinary charge of $4.7 million in the first three months of 2002 in connection with this redemption.

The 2011 Notes are guaranteed by substantially all of ISP Chemco's domestic subsidiaries. The 2011 Notes were issued under an indenture which, among other things, places limits on the ability of ISP Chemco and its subsidiaries, except its accounts receivable subsidiary and certain immaterial subsidiaries, to incur additional debt, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments.

In a related transaction, ISP Chemco and those same three subsidiaries which issued the 2011 Notes also entered into $450.0 million of new senior secured credit facilities, which we refer to as the "Senior Credit Facilities," the initial borrowings under which were used to repay amounts outstanding under our previous credit facility. The Senior Credit Facilities are comprised of a $225.0 million term loan with a maturity of seven years and a $225.0 million revolving credit facility which will terminate in five years.

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The revolving credit facility includes a borrowing capacity not in excess of $50.0 million for letters of credit. All borrowings under the Senior Credit Facilities are based on either an alternate base rate (based on the banks' base rate or on the federal funds rate) or on the eurodollar rate plus a margin based on the ratio of ISP Chemco's total consolidated debt to EBITDA (as defined in the Senior Credit Facilities). The average interest rate at March 31, 2002 on borrowings under the Senior Credit Facilities was 5.2%. The Senior Credit Facilities require compliance with various financial covenants, including a total debt leverage maintenance ratio, a senior debt leverage maintenance ratio, an interest coverage ratio and a minimum adjusted net worth. As of March 31, 2002, $87.4 million of borrowings and $5.6 million of letters of credit were outstanding under the revolving credit facility. In addition, the Senior Credit Facilities limit the ability of ISP Chemco and its subsidiaries, except its accounts receivable subsidiary and certain immaterial subsidiaries, to incur additional debt, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments. ISP Chemco and substantially all of its domestic subsidiaries are designated as obligors under the Senior Credit Facilities. The obligations of the obligors under the Senior Credit Facilities are secured by a first-priority security interest in 100% of the capital stock of ISP Chemco's domestic subsidiaries and 66% of the capital stock of some of ISP Chemco's foreign subsidiaries, and substantially all of the real and personal property of the obligors, except for our accounts receivable subsidiary and certain immaterial subsidiaries.

On December 13, 2001, we issued $200.0 million principal amount of the 2009 Notes. The net proceeds from this issuance were approximately $194.3 million, of which $125.7 million was placed in a restricted cash escrow account and used to redeem the remaining 2003 Notes on January 14, 2002. The 2009 Notes are secured by a first priority lien on all of the outstanding capital stock of ISP Chemco. The 2009 Notes are structurally subordinated to all liabilities of our subsidiaries. The 2009 Notes were issued under an indenture which, among other things, limits our ability and the ability of our subsidiaries, except our unrestricted subsidiaries, to incur additional debt, enter into transactions with affiliates, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments. ISP Investco LLC, one of our wholly owned subsidiaries, the subsidiaries of ISP Investco, our accounts receivable subsidiary and certain immaterial subsidiaries have been designated as unrestricted subsidiaries under the indenture related to the 2009 Notes.

As a result of the foregoing factors, cash and cash equivalents increased by $63.1 million during 2001 to $77.9 million, excluding $288.8 million of trading and available-for-sale securities and other short-term investments.

As of December 31, 2001, our current maturities of long-term debt, scheduled to be repaid during 2002, totaled $310.3 million, including the remaining $307.9 million outstanding amount of the 2003 Notes as of December 31, 2001, which were redeemed on January 14, 2002.

The borrowings of certain of our subsidiaries are subject to the application of certain financial covenants contained in the Senior Credit Facilities and in the indenture governing the 2011 Notes. Our borrowings are also subject to the application of some financial covenants contained in the indenture governing the 2009 Notes. As of March 31, 2002, we and those subsidiaries were in compliance with those covenants, and the application of those covenants would not have restricted available borrowings under the Senior Credit Facilities. See Note 15 to consolidated financial statements.

The Senior Credit Facilities and the indenture governing the 2011 Notes contain additional affirmative and negative covenants affecting ISP Chemco and some of its subsidiaries, including restrictions on transactions with affiliates, sale-leaseback transactions, and mergers and transfers of all or substantially all of those subsidiaries' assets. The indenture governing the 2009 Notes also contain additional affirmative and negative covenants similar to those contained in the indenture governing the 2011 Notes affecting us and some of our subsidiaries. These limitations do not apply to ISP Investco LLC, an unrestricted subsidiary. As of March 31, 2002, under the most restrictive of these limitations, we could have paid restricted payments of up to $53.4 million. See Note 15 to consolidated financial statements. Restricted payments are dividends, acquisitions of our equity or other capital stock, payments on subordinated debt or most investments in third parties. Despite those limitations, we expect our availability under those

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covenants to make restricted payments, tax sharing payments and other permitted cash payments will allow us to satisfy our cash obligations under the notes. Additionally, in the event the holders of the 2009 Notes were to foreclose on ISP Chemco's capital stock following an event of default under those notes, the sale of the capital stock would constitute a change of control of ISP Chemco. Under the indenture governing the 2011 Notes, if a change of control of ISP Chemco occurs, ISP Chemco is obligated to make an offer to repurchase the 2011 Notes from their respective holders. The terms of the Senior Credit Facilities, however, prohibit the repayment of the 2011 Notes in that event unless and until such time as the indebtedness under the Senior Credit Facilities is repaid in full. Failure to make such repayment upon a change of control would result in a default under the 2011 Notes. A change of control of ISP Chemco would also result in a default under the Senior Credit Facilities. In the event of a default under the indenture governing the 2011 Notes or under the Senior Credit Facilities, the holders of the 2011 Notes or the lenders under the Senior Credit Facilities, as the case may be, could elect to accelerate the maturity of the 2011 Notes or the loans under the Senior Credit Facilities. Those events could have a material adverse effect on our financial condition and results of operations.

Subject to restrictions in the Senior Credit Facilities and the indentures governing the 2009 and 2011 Notes, our subsidiaries may incur additional debt for working capital, capital expenditures, acquisitions and other purposes.

"Other assets" and "Intangible assets" on the consolidated balance sheets increased in 2001 by $49.5 million to a total of $77.6 million, primarily reflecting deferred debt financing fees of $20.5 million related to the debt financing transactions discussed above and $15.8 million of intangible assets related to the acquisitions of the FineTech business and the biocides business of Degussa Corporation (see Note 11 to consolidated financial statements). In addition, "Other assets" and "Other liabilities" increased by $9.0 million each due to a gross-up of environmental insurance receivables and liabilities to reflect current estimated liabilities and insurance recoveries (see Note 21 to consolidated financial statements). "Other liabilities" increased in 2001 by $11.0 million to $72.7 million and also reflected a $3.8 million accrual related to ISP's Long Term Incentive Plan (see Note 17 to consolidated financial statements).

Capital expenditures are expected to be approximately $57.0 million in 2002, primarily for maintenance and compliance expenditures.

In the fourth quarter of 2001, the economic turmoil in Argentina, which resulted in the devaluation of the Argentinian currency, adversely impacted our pre-tax earnings by $0.8 million. While payments from our subsidiary in Argentina to our domestic operations may be adversely affected by current banking regulations in Argentina, we do not believe that this situation will have a material impact on our liquidity, cash flows or results of operations. Sales by our subsidiary in Argentina were approximately $3.0 million in 2001.

For information with respect to income taxes, see Note 10 to consolidated financial statements.

We do not believe that inflation has had an effect on our results of operations during the past three years. However, there can be no assurance that our business will not be affected by inflation in the future.

We have received site designation for the construction of a hazardous waste treatment, storage and disposal facility at our Linden, New Jersey property and have received approval from the New Jersey Turnpike Authority for a direct access ramp extension from the New Jersey Turnpike to the site. If we are successful in securing the necessary permits to construct and operate the hazardous waste facility and decide to proceed with this project, we would develop and operate the facility in a separate subsidiary, either on its own or in a joint venture with a suitable partner. We estimate 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. We anticipate utilizing internally generated cash and/or seeking project or other independent financing for this project. Accordingly, we would not expect such facility to impact materially our liquidity or capital resources. We are also investigating other development opportunities at this site consistent with a plan by the County of Union to re-develop the

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Tremley Point area of Linden. We expect that related planning and evaluation efforts will continue through 2002.

We, together with other companies, are a party to a variety of proceedings and lawsuits involving environmental matters. See Note 21 to consolidated financial statements for further information.

ISP has a contract with a multinational supplier to supply a substantial amount of its acetylene needs to our Texas City, Texas facility. This supplier generates this raw material as a by-product from the manufacture of ethylene. The current term of the contract expires December 31, 2010. ISP has the option to extend the contract on an annual basis thereafter. Pricing under the contract is on a fixed basis and ISP is obligated to purchase a specified amount of acetylene under the contract. This supplier has advised ISP that it intends to stop production of acetylene at its facility in March 2004. Were this shutdown to happen within the next two years, any cost penalties incurred by us for replacement product would be reimbursed by the current vendor. Thereafter, depending on actions we take to mitigate the problem, we could have an unfavorable impact on our product cost, which we do not believe would be material to the profitability of our specialty chemicals business. As a result, ISP has identified several alternative sources of supply of acetylene for the Texas City location. Although ISP believes that these alternative sources of supply would be sufficient for its projected needs, there can be no assurance in this regard.

ISP also has a contract with another supplier for the delivery of additional amounts of acetylene to our Texas City facility. The current term of that contract expires June 30, 2003 and its terms provide for it to continue unless canceled by either party with 6 months notice prior to the end of the then current term. Pricing is via formula related to energy costs, labor and PPI. ISP is obligated to purchase a specified amount of acetylene under the contract.

The future cost of these two non-cancelable take-or-pay contracts is included in the table of contractual obligations shown below, together with other contractual obligations related to debt and leases.

	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
	(MILLIONS)				
Long-term debt	$911.2	$ 2.4	$ 4.5	$143.7	$760.6
Unconditional purchase obligations	30.6	4.5	6.9	6.3	12.9
Operating leases	44.3	10.6	18.3	8.4	7.0
Capital lease obligations	0.3	0.1	0.2	--	--

We anticipate ongoing pressure on our pricing and revenue related to commodity type butanediol and related solvents and intermediates. A key competitor in this market is constructing additional production capacity in Europe for these products. The opening of this facility will increase the supply of product to the merchant market.

On June 30, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the pooling method of accounting. SFAS No. 141 will not have an impact on our business since we have historically accounted for all business combinations using the purchase method of accounting. With the adoption of SFAS No. 142, effective January 1, 2002, goodwill will no longer be subject to amortization over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. Companies must perform a fair-value-based goodwill impairment test. The initial test for impairment, as of January, 1, 2002, must be completed by the end of the second quarter of 2002. We are currently in the process of this valuation. We have retained an outside appraisal firm to assist in the implementation of SFAS No. 142. At this time, we have not finalized the allocation of goodwill to our reporting units. Goodwill impairment, if any, has not been determined. This assessment could result in a material future impairment charge. In addition, under SFAS No. 142, an acquired intangible asset should be separately recognized if the benefit of the intangible

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asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged. Intangible assets will be amortized over their useful lives. On an annualized basis, our net income will increase by approximately $16.5 million, unless any impairment charges are necessary.

On April 19, 2002, ISP announced the sale of its Haifa, Israel-based FineTech, Ltd. business to Pharmaceutical Resources, Inc., which we refer to as PRI, for $32 million. We will record a second quarter pre-tax gain, before expenses, of approximately $5.8 million related to this sale. In December 2001, ISP had entered into a letter agreement to sell to PRI both its Haifa-based business and its Columbus, Ohio manufacturing facility. In February 2002, we received a $250,000 payment from PRI in consideration of extending the negotiations pursuant to the letter agreement. On March 14, 2002, we announced that the sale contemplated in the letter agreement would not be consummated due to the failure of PRI to proceed with the transaction in a timely manner. Under the terms of the letter agreement, we received a $3.0 million break-up fee, which was recorded as income in the first three months of 2002 (see Note 6 to consolidated financial statements).

As part of our acquisition of our Freetown, Massachusetts plant in 1998, we entered into a multi-year agreement to supply the imaging dyes and polymers used by Polaroid Corporation in its instant film business. In October 2001, Polaroid filed for protection under Chapter 11 of the U.S. Bankruptcy Code. In April 2002, an announcement was made regarding the possible sale of Polaroid that could negatively impact our ongoing relationship with Polaroid and the utilization of our Freetown plant. As a result of the Polaroid announcement, the sale of the FineTech business and the retention of the Columbus facility (as discussed above), we currently have excess production capacity at the Freetown and Columbus facilities. We are in the process of evaluating the optimal utilization of these facilities. Depending upon the results of this study, an impairment charge related to one or both of these facilities may be necessary. We expect that our evaluation will be completed in the second quarter of this year.

On April 26, 2002, we announced that we had acquired the roofing granule manufacturing operations in Ione, California of Reed Minerals, a division of Harsco Corporation. In a related transaction, we also acquired the adjacent quarry operations and certain mining assets from Hanson Aggregates Mid-Pacific, Inc.

Market-Sensitive Instruments and Risk Management

Our investment strategy is to seek returns in excess of money market rates on our available cash while minimizing market risks. There can be no assurance that we will be successful in implementing such a strategy. We invest primarily in international and domestic securities of companies involved in acquisition or reorganization transactions. When the terms of a proposed acquisition provide for the target's shareholders to receive stock or other securities of the acquirer, we generally employ hedging strategies to protect against a decline in the value of such securities prior to the completion of the acquisition. One such strategy is to sell short a pre-determined amount of the acquirer's stock at the same time a long position is established in the target's shares. We will cover our short position with the acquirer's stock received. This strategy will lock in a profit equal to the initial deal spread at the time we employed this hedging strategy. From time to time, we also invest in securities of companies that we consider undervalued. With respect to our equity positions, we are exposed to the risk of market loss. See Notes 2 and 4 to consolidated financial statements.

	DECEMBER 31, 2000		DECEMBER 31, 2001	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
	(MILLIONS)			
Interest rate financial instruments.....	$100.0	$(0.8)	$100.0	$(3.1)
Foreign currency financial instruments.....	$ 20.9	$ 0.1	$ 17.7	$ 0
Equity-related financial instruments.....	$ 27.6	$ 2.6	$ 19.7	$ 0.3

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All of the financial instruments in the above table have a maturity of less than one year.

We enter into forward foreign exchange instruments in order to hedge a portion of both our borrowings denominated in foreign currency and transactions related to the operations of our foreign subsidiaries. Forward contract agreements require us and the counterparty to exchange fixed amounts of U.S. dollars for fixed amounts of foreign currency on specified dates. All forward contracts are in major currencies with highly liquid markets and mature within one year. Hedging strategies are approved by senior management before they are implemented.

As of December 31, 2000 and 2001, the U.S. dollar equivalent notional value of outstanding forward foreign exchange contracts was $20.9 and $17.7 million, respectively. The U.S. dollar equivalent notional value of foreign exchange contracts outstanding as of December 31, 2000 and 2001, which were entered into as a hedge of intercompany loans, was $17.0 and $17.7 million, respectively, representing 100% of our foreign currency exposure with respect to such loans. As of March 31, 2002, the U.S. dollar equivalent notional value of outstanding forward foreign exchange contracts was $21.8 million.

We enter into equity-related financial instruments, including total return equity swaps, as a means to manage our exposure to market fluctuations on our short-term investments and to achieve our stated investment strategy. These contracts are subject to strict internal controls, including maximum exposure levels and counterparty risk. The counterparties to these contracts are major financial institutions with high credit standings. We control risk through credit approvals, limits and monitoring procedures. We do not anticipate nonperformance by counterparties to these contracts. We have exposure to equity price risk as a result of our investment in equity securities and equity derivatives. Equity price risk results from changes in the level or volatility of equity prices which affect the value of equity securities or instruments that derive their value from such securities or indexes.

As of December 31, 2001 and March 31, 2002, the value of equity-related long contracts was $12.7 and $0.9 million, respectively, and the value of equity-related short contracts was $7.2 and $3.9 million, respectively. These contracts are marked-to-market each month, with unrealized gains and losses included in the results of operations. The unrealized gain on equity-related long contracts at December 31, 2001 and March 31, 2002 was $243,000 and $61,000, respectively, and the unrealized gain (loss) on equity-related short contracts was $45,000 and $(94,000), respectively.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 established accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement.

We adopted SFAS No. 133 as of January 1, 2001. Accounting for interest rate swaps and foreign exchange forward contracts held by us is affected by implementation of this standard. The earnings impact of the transition adjustments related to the initial adoption of the standard was an after-tax loss of $0.4 million, which was recorded in the first quarter of 2001 as the cumulative effect of a change in accounting principle.

The Senior Credit Facilities include a $225.0 million term loan. We have designated interest rate swaps, with a total notional amount of $100 million, as a hedge of our exposure to changes in the eurodollar rate under the term loan. The interest rate swaps are structured to receive interest based on the eurodollar rate and pay interest on a fixed rate basis. A cash flow hedging relationship has been established whereby the interest rate swaps hedge the risk of changes in the eurodollar rate related to borrowings against the term loan. The interest rate swaps hedge exposure to changes in the eurodollar rate through July 2002.

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BUSINESS

GENERAL

We are a leading multinational manufacturer of specialty chemicals and mineral products. We are a wholly owned subsidiary of ISP and were formed on June 5, 2001 in connection with an internal corporate restructuring by ISP. The business of our parent, ISP, primarily consists of owning all of our issued and outstanding capital stock. We own all of the issued and outstanding capital stock of ISP Chemco Inc. (formerly known as ISP Opco Holdings Inc.), and ISP Investco LLC. ISP Chemco operates ISP's specialty chemicals business, exclusively through its direct and indirect subsidiaries. ISP Investco LLC was formed in 2001 for the purpose of holding all of ISP's investment assets and related liabilities.

Over the last 5 years, ISP has moved toward increasing its focus on its consumer-oriented and service intensive businesses while consolidating and downsizing its low margin butanediol business and controlling costs.

We have increased our consumer-oriented focus through new more profitable product offerings, enhanced technical capabilities and penetration into new markets. We also have supplemented our internal resources with strategic alliances and complementary acquisitions. We improved our costs through operating efficiencies and plant consolidations.

New product offerings include a hair care product that provides faster drying time and greater hold for styling flexibility and a solvent that improves the stability and absorption of pharmaceutical products. We have also introduced a patented, water-based microemulsion that more effectively disperses the active agricultural ingredient for easier application and improved environmental safety in crop spraying.

To enhance support provided by our technical service team, we have added to our current global network of applications and technical service laboratories. We have expanded our Singapore facility and opened new laboratories in Brazil and Turkey.

Strategic alliances have allowed us to leverage our core strengths in marketing, sales and technical services to obtain access to new technologies and expand the breadth and utility of our product offerings. Through an alliance with another specialty chemical manufacturer, we were able to use our strengths in combination with our partner's proprietary technology to bring to market a line of skin conditioners that re-hydrate the skin and provide protection from the drying effects of the sun and environment.

We continually explore possible acquisitions through which we seek to acquire complementary technologies or products, expand our customer base and leverage our sales and distribution infrastructure and existing client relationships. For example, in November 1999, we acquired our alginates business and now provide naturally derived food thickeners and stabilizers to a variety of markets that complement our existing products and technology, such as the pharmaceutical ingredients, food and beverage markets.

In December 2001, we acquired the industrial biocides business of Creanova Inc., a subsidiary of the Degussa Corporation, which manufacturers well-known fungicides, preservatives, algaecides and biocides. This acquisition adds a new growth platform for ISP's performance chemicals business and expands ISP's strategic emphasis on more profitable specialty chemicals for the coatings industry.

During the last five years, we have invested approximately $150 million in upgrading our manufacturing plants with equipment modifications and de-bottlenecking solutions which have significantly increased our manufacturing efficiency and capacity. We have also streamlined and consolidated our operations to increase efficiency and reduce our operating costs. For example, we shut down our high cost butanediol production at the Calvert City, Kentucky plant in 1999, at the Seadrift, Texas plant in 2000 and at the Texas City, Texas plant in the first quarter of 2001. In addition, we shifted butanediol production following these shutdowns to our lower cost Marl, Germany facility.

As used in this prospectus, "G-I Holdings" includes G-I Holdings Inc. and any and all of its predecessors, including GAF Corporation, G-I Holdings Inc. and GAF Fiberglass Corporation.

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PRODUCTS AND MARKETS

We manufacture a broad spectrum of specialty chemicals having numerous applications in consumer and industrial products. We use proprietary technology to convert various raw materials, through a chain of one or more processing steps, into increasingly complex and higher value-added specialty chemicals specifically developed to meet customer requirements.

Our specialty chemicals business is organized based upon the markets for our products. Accordingly, we manage our specialty chemicals in the following three business segments:

- Personal Care -- whose products are sold to the skin care and hair care markets;

- Pharmaceutical, Food and Beverage -- whose products are sold to these three government-regulated industries; and

- Performance Chemicals, Fine Chemicals and Industrial -- whose products are sold to numerous consumer and industrial markets.

In each of the years ending December 31, 1999, 2000 and 2001, sales of specialty chemicals represented approximately 90% of our revenues. For information about the amount of sales by each of our specialty chemicals business segments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" and note 19 to our consolidated financial statements. Most of our specialty chemical products fall within the following categories:

- vinyl ether monomers -- includes several products for use in specialty and radiation-cured coatings. Our vinyl ether monomers are marketed by the performance chemicals group of our performance chemicals, fine chemicals and industrial business segment.

- vinyl ether copolymers -- includes our Gantrez(R) line of products. These products serve as a bioadhesive resin in consumer products such as tartar-control toothpaste, denture adhesives and facial pore strips. Vinyl ether copolymers are marketed by our personal care and pharmaceutical, food and beverage business segments.

- polyvinyl pyrrolidone (PVP) polymers and copolymers -- represents our largest product group. These polymers and copolymers are marketed by all of our business segments. Our Plasdone(R), Polyclar(R) and Gafquat(R) product lines, which are used as tablet binders, beverage clarifiers and hair fixative resins, respectively, are included in this group.

- intermediates -- includes butanediol, butenediol, butynediol, and propargyl alcohol for use in numerous industrial applications. Intermediates are marketed by our performance chemicals, fine chemicals and industrial business segment. Our largest selling intermediate product is butanediol, which is utilized by industrial companies to manufacture spandex fibers and polybutylene terephthalate (PBT) plastics for use in automobiles.

- solvents -- includes our M-pyrol(R) brand of N-methyl pyrrolidone (NMP), for use in metal degreasing and paint stripping, BLO(R) brand of gamma-butyrolactone, for use by electronics companies in the manufacture of semiconductors and micro-processing chips, and tetrahydrofuran (THF), which is used in the manufacture and installation of PVC pipe. Solvents are also marketed by our performance chemicals, fine chemicals and industrial business segment.

- alginates -- includes sodium alginate, propylene glycol alginate and other alginate derivatives for use as thickeners, stabilizers and viscosity modifiers. These products are marketed by our pharmaceutical, food and beverage business segment, with the majority of our sales to the food industry.

The balance of our specialty chemical products are marketed by our performance chemicals, fine chemicals and industrial business segment, along with sunscreens, preservatives and emollients, each marketed by our personal care business segment.

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Personal Care. Our personal care business segment markets numerous specialty chemicals that serve as critical ingredients in the formulation of many well-known skin care, hair care, toiletry and cosmetic products. For example, our polyvinylpyrrolidone polymers, which are derived from acetylene, are critical components in hair styling gels. If this polymer were removed, hold, stiffness and styling would be lost.

Our skin care ingredients include:

- ultraviolet (UV) light absorbing chemicals, which serve as sunscreens;

- emollients, which provide skin softness;

- moisturizers, which enhance the skin's water balance;

- waterproofing agents, which enhance the performance of eye-liners and sunscreens in wet environments; and

- preservatives, which extend the shelf life of aqueous-based cosmetic formulations by preventing the growth of harmful bacteria.

Our Escalol(R) sunscreen actives serve as the primary active ingredient in many of the most popular sunscreens today and increasingly find applications in many other products such as lipsticks and facial creams. Our SunSpheres(TM) product, which was jointly developed through our strategic alliance with a third party, significantly enhances the sun protection properties of UV absorbers used in skin care, makeup and beach products. Our Ceraphyl(R) line of emollients and moisturizers provides a variety of popular bath products with their softening and moisturizing characteristics. We produce a growing number of specialty preservatives, including Germall(R) Plus, a patented product that offers broad-spectrum anti-microbial activity, and Suttocide(R) A, a preservative gentle enough for infant care products.

Our hair care ingredients, marketed under the Gantrez(R), Gafquat(R), and PVP/VA family of products, include a number of specially formulated fixative resins which provide hairsprays, mousses and gels with their holding power, as well as thickeners and stabilizers for shampoos and conditioners. Utilizing our combined expertise in hair care and sunscreen applications, we developed the world's first high performance hair protectant, Escalol(R) HP-610, to prevent sun damage to hair. We also developed a new polymer, Aquaflex(R) FX-64, for use in styling products and low VOC hair sprays where it provides a soft feeling with a long lasting hold for both aerosol and pump spray applications.

Pharmaceutical, Food and Beverage. Our specialty chemicals for the pharmaceutical, food and beverage markets provide a number of end-use products with their unique properties while enabling these products to meet increasingly strict regulatory requirements.

In the pharmaceutical market, our specialty chemicals serve as key ingredients in the following types of products:

- prescription and over-the-counter tablets;

- injectable prescription drugs and serums;

- cough syrups;

- antiseptics;

- toothpastes; and

- denture adhesives.

Our Plasdone(R) and Polyplasdone(R) polymers for tablet binders and tablet disintegrants are established excipients for use in the production of wet granulated tablets. Our Gantrez(R) bioadhesive polymers serve as critical ingredients in denture adhesives and tartar control toothpastes. In denture adhesives, Gantrez(R) provides the strength and duration of the hold of the denture to the gums. In tartar control toothpastes, Gantrez(R) inhibits enzyme activity in the mouth to increase the effectiveness of the product's tartar control.

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Our advanced materials product line includes the Ferronyl(R) brand of dietary iron supplement, which is marketed to the pharmaceutical industry.

In the food and beverage markets, our alginates and acetylene-derived polymers serve as critical ingredients in the manufacture of numerous consumer products, including salad dressings, cheese sauces, fruit fillings, beer and health drinks. For example, our alginates products, marketed under the Kelcoloid(R) tradename, are used as stabilizers in many well-known consumer products and prevent the separation of oil emulsions. Our acetylene-based specialty polymers, marketed under the Polyclar(R) tradename, serve the beverage market by assuring the clarity and extending the shelf life of beer, wine and fruit juices.

Performance Chemicals, Fine Chemicals and Industrial. Our performance chemicals business includes acetylene-based polymers, vinyl ether monomers and advanced materials for consumer, agricultural and industrial applications. Our acetylene-based chemistry produces a number of performance chemicals for use in a wide range of markets including:

- coatings;

- agriculture;

- imaging;

- detergents;

- electronics; and

- metalworking.

ViviPrint(TM) is our new line of polymers developed for specialty coating applications in ink jet printing. These products provide significant moisture and abrasion resistance, high gloss and excellent resolution for high quality printers and photo reproductions.

Our advanced materials product line includes high-purity carbonyl iron powders, sold under the Micropowder(R) name, for use in the aerospace, defense, electronics and powder metallurgy industries.

On December 31, 2001, we acquired the industrial biocides business of Degussa Corporation. This business is comprised of a broad range of preservatives and fungicides for various product applications, including paints and coatings. The acquisition, which includes a manufacturing plant in Toronto, Canada, complements our strategic platform for preservation and significantly expands our specialty chemicals offering to the coatings industry.

Our fine chemicals business focuses on the production of a variety of highly specialized products sold to the pharmaceutical, biotechnology, agricultural and imaging markets. We also offer custom manufacturing services for these industries. The pharmaceutical ingredients portion of the business is centered in our Columbus, Ohio facility.

We have expanded our Freetown, Massachusetts manufacturing facility's production capabilities to allow for the manufacture of some specialty chemical product lines for our personal care business segment and to offer custom manufacturing capability to the pharmaceutical, biotechnology, agricultural and chemical process industries. In connection with the relocation of some of our production lines for our personal care business segment to our Freetown facility, we shut down our manufacturing operation at our Belleville, New Jersey plant in the first quarter of 2001.

In our industrial business, we market several intermediate and solvent products, such as butanediol, tetrahydrofuran (THF) and N-methyl pyrrolidone (NMP), for use in a variety of industries, including:

- high performance plastics;

- lubricating oil and chemical processing;

- electronics cleaning; and

- coatings.

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In addition, we offer a family of environmentally friendly products that can replace chlorinated and other volatile solvents for a variety of industrial uses, including cleaning, stripping and degreasing.

In the first quarter of 2001, we shut down production of butanediol at our Texas City facility and now manufacture butanediol solely at our Marl, Germany facility. We continue to produce polymers at our Calvert City and Texas City plants and also continue to produce propargyl alcohol from butanediol.

MARKETING AND SALES

We market our specialty chemicals using a worldwide marketing and sales force, typically chemists or chemical engineers, who work closely with our customers to familiarize themselves with our customers' products, manufacturing processes and markets. We primarily sell our specialty chemicals directly to our customers through our global distribution network. We sell a limited portion of our specialty chemicals through distributors. We conduct our domestic marketing and sales efforts from our facility in Wayne, New Jersey and regional offices strategically located throughout the United States.

INTERNATIONAL OPERATIONS

We conduct our international operations through 39 subsidiaries and 48 sales offices located in Europe, Canada, Latin America and the Asia-Pacific region. We also use the services of local distributors to reach markets that might otherwise be unavailable to us.

International sales of our specialty chemicals in 1999, 2000 and 2001 were approximately 48%, 50% and 52% of our total sales for those periods, respectively. Approximately 38% of our specialty chemicals sales in 2001 were in Europe and Japan. For more information about our international sales, see Note 20 to our consolidated financial statements. International sales are subject to exchange rate fluctuation risks. For a discussion of our 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 we have sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.

We own and operate ISP Marl GmbH, primarily a butanediol manufacturing facility, and ISP Acetylene GmbH, an acetylene production plant. Both production facilities are located at Degussa's Chemiepark site in Marl, Germany, and each relies upon Degussa to provide specific services, including utilities, rail transport and waste handling. We believe that the production costs for butanediol and THF at ISP Marl are among the most competitive in the industry. ISP Acetylene operates a fully-dedicated modern production facility that provides ISP Marl with its primary raw material, acetylene. ISP Acetylene, which employs electric arc technology for the production of acetylene from various hydrocarbon feedstocks utilizes state-of-the-art gas separation technology. ISP Acetylene's entire production is dedicated to fulfilling ISP Marl's requirements and has no third-party sales.

We operate an alginates manufacturing plant in Girvan, Scotland and a research and administrative center in Tadworth, England. In addition, we hold equity investments in three seaweed processing joint ventures located in Ireland, Iceland and Tasmania. These joint ventures serve to provide our alginates business with a steady supply of its primary raw material, seaweed.

For information about the locations of our international long-lived assets, see Note 20 to our consolidated financial statements.

RAW MATERIALS

Because of the multi-step processes required to manufacture our specialty chemicals, we believe that our raw materials costs represent a smaller percentage of the cost of goods sold than for most other chemical companies. We estimate that approximately one-third of our manufacturing costs are for raw materials, including energy and packaging. As a result, we believe that fluctuations in the price of raw materials have less of an impact on our specialty chemicals business than on those chemical companies for which raw materials costs represent a larger percentage of manufacturing costs.

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The principal raw materials used in the manufacture of our acetylene-based specialty chemicals are acetylene, formaldehyde and methylamine. Most of the raw materials for consumption in the United States are obtained from third party sources pursuant to supply agreements. Acetylene, a significant raw material used in the production of most of our specialty chemicals, is obtained by us for domestic use from three unaffiliated suppliers pursuant to supply contracts. ISP has a contract with a multinational supplier to supply a substantial amount of its acetylene needs to its Texas City, Texas facility. The current term of the contract expires December 31, 2010. ISP has the option to extend the contract on an annual basis thereafter. The contract is not terminable by the supplier other than for cause. Pricing under the contract is on a fixed basis and ISP is obligated to purchase a specified amount of acetylene under the contract. Additional supply of acetylene cannot be obtained under the contract. We have been advised that acetylene production at that facility may be terminated. As a result, ISP has identified several alternative sources of supply of acetylene for the Texas City location. Although ISP believes that these alternative sources of supply would be sufficient for its projected needs, there can be no assurance in this regard.

ISP also has a contract with another supplier for the delivery of additional amounts of acetylene to its Texas City facility. The current term of the contract expires June 30, 2003 and its terms provide for it to continue unless canceled by either party with 6 months notice prior to the end of the then current term. The contract is not terminable by the supplier other than for cause. Pricing is based on formula related to energy costs, labor and inflation. ISP is obligated to purchase a specified amount of acetylene under the contract. Additional supply of acetylene can be obtained under the contract at the then market price.

ISP's third acetylene supply contract is for acetylene delivery via pipeline to our Calvert City facility. The acetylene is made from calcium carbide generation. The current term of this contract expires December 31, 2004 and allows ISP, at its sole option, to extend the agreement for two additional terms of five years each. Pricing under the contract is via formula relating to raw material, energy and labor costs. The contract cannot be terminated except for cause. The supplier is obligated to supply as much acetylene as we need at that facility. A significantly larger supply of acetylene than we currently purchase can be obtained under the contract.

Due to the nature of the manufacturing process, electricity and hydrocarbon feedstocks, primarily butane, are critical raw materials for the production of acetylene at our operations in Marl, Germany, where methanol is also a principal raw material. The Marl facility obtains the majority of its critical supplies and services from Degussa including electricity, butane and methanol via a long term supplies and services agreement. Under the agreement, ISP may, at its option, cancel purchases from Degussa in favor of more competitive sourcing. Degussa, however, may not discontinue providing critical supplies or services to ISP. Pricing for the supplies and services are negotiated periodically between the parties.

We believe that the diversity of our acetylene supply sources and our use of a number of acetylene production technologies, including ethylene by-product, calcium carbide and electric arc technology, provide us with a reliable supply of acetylene. In the event of a substantial interruption in the supply of acetylene from current sources, or, in the case of ISP Marl, electricity and hydrocarbon feedstocks, we cannot assure that we would be able to obtain as much acetylene from other sources as would be necessary to meet our supply requirements. To date, we have not experienced an interruption of our acetylene supply that has had a material adverse effect on our sales of specialty chemicals.

The principal raw material used in the manufacture of alginates consists of select species of seaweed. We process seaweed in both wet and dry forms. We use our own specially designed vessels to harvest, under government license, wet seaweed from leased kelp beds in the Pacific Ocean to supply our San Diego, California facility. Our Girvan, Scotland facility processes primarily dry seaweed purchased from our joint ventures in Iceland, Ireland and Tasmania, as well as from independent suppliers in South America. We believe that the species of seaweed required to manufacture alginates will remain readily available and that we will have adequate access to this seaweed to provide us with adequate supplies of this raw material for the foreseeable future.

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Availability of other raw materials, including methanol and methylamine, remained adequate during 2001. We believe that, in the event of a supply interruption, we could obtain adequate supplies of raw materials from alternate sources.

We use natural gas and raw materials derived from petroleum in many of our manufacturing processes and, consequently, the price and availability of natural gas and petroleum could be material to our operations. During 2001, supplies of natural gas and petroleum remained adequate.

MINERAL PRODUCTS

Products and Markets. We manufacture mineral products consisting of semiceramic-coated colored roofing granules, algae resistant granules and headlap granules, which are produced from rock deposits that are mined and crushed at our quarries. We utilize a proprietary process to produce our colored and algae resistant roofing granules. We sell our mineral roofing granules primarily to the United States roofing industry for use in the manufacture of asphalt roofing shingles. The granules help to provide weather resistance, decorative coloring, heat deflection and increased weight in the shingle. We believe that we are the second largest of only three major suppliers of colored roofing granules in the United States in terms of production capacity and sales revenue. For information about the amount of sales of our mineral products, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" and Note 19 to our consolidated financial statements.

We believe that approximately 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. We believe that the balance of the roofing industry's asphalt shingle production historically has been sold primarily for use in new housing construction. Sales of our colored mineral granules have benefited from a trend toward the increased use of heavyweight, three-dimensional laminated roofing shingles which results in both functional and aesthetic improvements. These shingles require, on average, approximately 60% more granules than traditional three-tab, lightweight roofing shingles.

Sales to Building Materials Corporation of America, our affiliate, and its subsidiaries constituted approximately 79% of our mineral products net sales in 2001. See "Certain Relationships" and Note 18 to consolidated financial statements. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- 2001 Compared with 2000."

Marketing and Sales. We market our mineral products on a national basis to residential and commercial roofing manufacturers utilizing a direct sales team with expertise in product application and logistics. We ship finished products using rail and trucks from three manufacturing facilities strategically located throughout the United States. From our offices located in Hagerstown, Maryland, we provide logistical support and operate a customer design center to engineer product applications according to our customers' requirements. Our technical services and manufacturing teams provide support and consultation services upon specific requirements by our customers.

Raw Materials. We own 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. We own three quarries, each with proven reserves, based on current production levels, of more than 20 years.

COMPETITION

We believe that we are the second largest seller, based on revenues, worldwide of our specialty chemicals derived from acetylene, other than butanediol and tetrahydrofuran, and we believe that we are the second largest seller, based on revenues, of alginates.

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In each end-use market, there are a limited number of companies that produce substitutable products for our acetylene-derived specialty chemicals. Our primary competitor is BASF Corporation. These companies compete with us in the personal care, pharmaceutical, beverage and industrial markets and have the effect of limiting our market penetration and pricing flexibility. For our specialty chemicals not derived from acetylene, including alginates, sunscreens, emollients, moisturizers and fine chemicals, a number of world-wide competitors can provide similar products or services.

Butanediol, which we produce primarily for use as a raw material, is also manufactured by a limited number of companies throughout the world for both their captive use or to supply the merchant market. We believe that there are three competitors of significance for merchant market butanediol. BASF supplies the merchant market from its plants in the United States and in Europe. Lyondell and British Petroleum each currently supply the merchant market from their single manufacturing plants in the United States. Lyondell is also constructing a manufacturing facility in Europe capable of butanediol production. This plant is expected to open in the third quarter of 2002. Tetrahydrofuran and N-methyl pyrrolidone are manufactured by a number of companies throughout the world.

With regard to our mineral products, our primary competitors are the 3M Company and Reed Minerals. On April 26, 2002, we acquired the Ione, California roofing granule manufacturing operations of Reed Minerals. We believe that competition has been limited by:

- the substantial capital expenditures associated with the construction of new mineral processing and coloring plants and the acquisition of suitable rock reserves;

- the limited availability of proven rock sources;

- 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;

- 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

- the difficulty in obtaining the necessary permits to mine and operate a quarry.

Competition in the markets for our specialty chemicals and mineral products is largely based upon product and service quality, technology, distribution capability and price. We believe that we are well-positioned in the marketplace as a result of our broad product lines, sophisticated technology and worldwide distribution network.

ISP INVESTCO

We conduct our investments business through ISP Investco and its subsidiaries. We invest primarily in international and domestic arbitrage and securities of companies involved in acquisition or reorganization transactions. Those investments include common stock short positions which are offset against long positions in securities which are expected, under certain circumstances, to be exchanged or converted into the short positions.

PROPERTIES

Our corporate headquarters and principal research and development laboratories are located at a 100-acre campus-like office and research park owned by one of ISP Chemco's subsidiaries at 1361 Alps Road, Wayne, New Jersey 07470.

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

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LOCATION	FACILITY	PRODUCT LINE
	DOMESTIC	
Alabama		
Huntsville	Plant*	Specialty Chemicals
California		
Ione	Plant, Quarry	Mineral Products
San Diego	Plant*	Specialty Chemicals
Kentucky		
Calvert City	Plant	Specialty Chemicals
Maryland		
Hagerstown	Research Center, Design Center, Sales Office	Mineral Products
Massachusetts		
Freetown	Plant, Research Center	Specialty Chemicals
Missouri		
Annapolis	Plant, Quarry	Mineral Products
New Jersey		
Bridgewater	Sales Office*	Specialty Chemicals
Chatham	Plant, Research Center	Specialty Chemicals
Piscataway	Research Center*, Sales Office*	Specialty Chemicals
Wayne	Headquarters, Corporate Administrative Offices, Research Center	Specialty Chemicals
New York		
New York City	Corporate Administrative Offices*	N/A
Ohio		
Columbus	Plant, Research Center, Sales Office	Specialty Chemicals
Pennsylvania		
Blue Ridge Summit	Plant, Quarry	Mineral Products
Texas		
Texas City	Plant	Specialty Chemicals
Wisconsin		
Pembine	Plant, Quarry	Mineral Products
	INTERNATIONAL	
Belgium		
Sint-Niklaas	Sales Office, Distribution Center	Specialty Chemicals
Brazil		
Sao Paulo	Sales Office*, Distribution Center*	Specialty Chemicals
Canada		
Mississauga, Ontario	Sales Office*, Distribution Center*	Specialty Chemicals
Toronto, Ontario	Plant, Research Center, Sales Office, Warehouse	Specialty Chemicals
England		
Tadworth	Research Center*, Sales Office*	Specialty Chemicals
Germany		
Cologne	European Headquarters*, Research Center*, Sales Office*	Specialty Chemicals
Marl	Plants**, Sales Office**	Specialty Chemicals

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LOCATION	FACILITY	PRODUCT LINE
India		
Nagpur	Plant**	Specialty Chemicals
Japan		
Tokyo	Sales Office*	Specialty Chemicals
Scotland		
Girvan	Plant	Specialty Chemicals
Singapore	Sales Office*, Distribution Center*, Asia-Pacific Headquarters*, Warehouse*	Specialty Chemicals

* Leased property

** Long-term ground lease

We believe that our 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 2001, we made capital expenditures in the amount of $53.0 million relating to plant, property and equipment.

RESEARCH AND DEVELOPMENT

Our worldwide research and development expenditures were $23.0, $25.6 and $25.4 million in 1999, 2000 and 2001, respectively.

Our research and development activities are conducted primarily at our worldwide technical center and laboratories in Wayne, New Jersey. Additional research and development is conducted at plant sites in Calvert City, Kentucky; Texas City, Texas; Chatham, New Jersey; Freetown, Massachusetts; Columbus, Ohio; San Diego, California; and Girvan, Scotland, and at a research center in Piscataway, New Jersey, as well as at technical centers in the United Kingdom, Germany, China, Singapore, Mexico, Brazil and Turkey. Our mineral products research and development facility, together with our customer design and color center, is located in Hagerstown, Maryland.

ENVIRONMENTAL SERVICES

We have received site designation for the construction of a hazardous waste treatment, storage and disposal facility at our Linden, New Jersey property and have received approval from the New Jersey Turnpike Authority for a direct access ramp extension from the New Jersey Turnpike to the site. If we are successful in securing the necessary permits to construct and operate the hazardous waste facility and decide to proceed with this project, we would develop and operate the facility in a separate subsidiary, either on our own or in a joint venture with a suitable partner. We estimate that the cost of constructing the facility will be approximately $100.0 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. We anticipate utilizing internally generated cash and/or seeking project or other independent financing for this project. We also are investigating other development opportunities at this site consistent with a plan by the County of Union to redevelop the Tremley Point area of Linden. We expect that related planning and evaluation efforts will continue through 2002.

PATENTS AND TRADEMARKS

As of March 31, 2002, we owned or licensed approximately 370 domestic and 540 foreign patents or patent applications and owned or licensed approximately 155 domestic and 2,015 foreign trademark registrations or applications related to our business. While we believe the patent protection covering some of our products is material to those products, we do not believe that any single patent, patent application

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or trademark is material to our business or operations. We believe that the duration of the existing patents and patent licenses is consistent with our business needs.

ENVIRONMENTAL COMPLIANCE

Since 1970, a wide variety of federal, state and local environmental laws and regulations relating to environmental matters have been adopted and amended. By reason of the nature of our operations and the operations of our predecessor and certain of the substances that are or have been used, produced or discharged at our or our predecessor's plants or at other locations, we are affected by these environmental laws and regulations. We have made capital expenditures of approximately $5.0 million in each of 1999 and 2000, and approximately $6.3 million in the year ended December 31, 2001, in order to comply with these laws and regulations. These expenditures are included in additions to property, plant and equipment. We anticipate that aggregate capital expenditures relating to environmental compliance in each of the years 2002 and 2003 will be approximately $6.0 million.

The environmental laws and 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. We believe that our manufacturing facilities comply in all material respects with applicable environmental laws and regulations, and, while we cannot predict whether more burdensome requirements will be adopted in the future, we believe that any potential liability for compliance with environmental laws and regulations will not materially affect our business, liquidity, results of operations, cash flows or financial position.

EMPLOYEES

At March 31, 2002, we employed approximately 2,600 people worldwide. Approximately 725 employees in the United States were subject to seven union contracts. We believe that our relations with our employees and their unions are satisfactory.

OTHER DEVELOPMENTS

At March 31, 2002, we held an investment in Hercules Incorporated of approximately $131.7 million (based on market value), representing approximately 9.1% of the outstanding common stock at that date. We solicited proxies to elect a slate of four directors at the Hercules May 24, 2001 annual meeting of shareholders. Three of ISP's director nominees, including Messrs. Heyman and Kumar, were elected as directors at the meeting. On June 28, 2001, Hercules' board unanimously appointed ISP's fourth director nominee as a director.

LEGAL PROCEEDINGS

We, together with other companies, are a party to a variety of proceedings and lawsuits involving environmental matters under the Comprehensive Environmental Response Compensation and Liability Act, Resource Conservation and Recovery Act and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites or remedial obligations are imposed, a number of which are in the early stages or have been dormant for protracted periods. We refer to these claims in this prospectus as "Environmental Claims."

We estimate that our liability in respect of all Environmental Claims (including those relating to our closed Linden, New Jersey plant described below), and certain other environmental compliance expenses, as of March 31, 2002, is $24.1 million, before reduction for insurance recoveries reflected on our balance sheet (discussed below) of $21.7 million that relate to both past expenses and estimated future liabilities, which we refer to as "estimated recoveries." While we cannot predict whether adverse decisions or events can occur in the future, in the opinion of management, the resolution of those matters should not be material to our business, liquidity, results of operations, cash flows or financial position. However, adverse decisions or events, particularly as to increases in remedial costs, discovery of new contamination, assertion

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of natural resource damages plans for development of the Linden, New Jersey property, and the liability and the financial responsibility of our insurers and of the other parties involved at each site and their insurers, could cause us to increase our estimate of our liability in respect of those 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, we believe that we will receive the estimated recoveries and that the recoveries could be in excess of the current estimated liability for all Environmental Claims, although there can be no assurance in this regard. We believe we are entitled to substantially full defense and indemnity under our insurance policies for most Environmental Claims, although our insurers have not affirmed a legal obligation under the policies to provide indemnity for those claims.

Prior to January 1, 1997, ISP Holdings Inc. was a wholly owned subsidiary of GAF Corporation. On January 1, 1997, GAF effected a series of transaction involving its subsidiaries that resulted in, among other things, the capital stock of ISP Holdings being distributed to the stockholders of GAF. Since this distribution, we have not been a subsidiary of GAF or its successor by merger, G-I Holdings Inc. As used in this prospectus, "G-I Holdings" includes G-I Holdings Inc. and any and all of its predecessors, including GAF Corporation, G-I Holdings Inc. and GAF Fiberglass Corporation.

In June 1997, G-I Holdings commenced litigation against the insurers on behalf of itself and its predecessors, successors, subsidiaries and related corporate entities seeking amounts substantially in excess of the estimated recoveries. While we believe that our claims are meritorious, there can be no assurance that we will prevail in our efforts to obtain amounts equal to, or in excess of, the estimated recoveries.

In June 1989, we entered into a Consent Order with the New Jersey Department of Environmental Protection requiring the development of a remediation plan for our closed Linden, New Jersey plant and the maintenance of financial assurances currently $7.5 million, to guarantee our performance. This Consent Order does not address any potential natural resource damage claims for which an estimate cannot currently be made. In April 1993, the New Jersey Department of Environmental Protection issued orders which require the prevention of discharge of contaminated groundwater and stormwater from the site and the elimination of other potential exposure concerns. We believe, although we cannot be certain, that, taking into account our plans for development of the site, we can comply with the New Jersey Department of Environmental Protection order at a cost of approximately $17.0 million. See "-- Environmental Services."

For more information about legal proceedings, see notes 10 and 21 to our consolidated financial statements.

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MANAGEMENT

The name, age and respective positions of each of the executive officers and directors of International Specialty Holdings Inc. are as follows:

NAME	AGE	POSITION
Samuel J. Heyman.....	63	Chairman of the Board and Director
Sunil Kumar.....	52	Chief Executive Officer, President and Director
Richard A. Weinberg.....	42	Executive Vice President, General Counsel, Secretary and Director
Neal E. Murphy.....	45	Senior Vice President and Chief Financial Officer
Susan B. Yoss.....	43	Executive Vice President -- Finance and Treasurer

Set forth below is a description of the backgrounds of the directors and executive officers of International Specialty Holdings Inc. The officers of International Specialty Holdings Inc. are elected by the Board of Directors and hold office until their respective successors are duly elected and qualified.

Samuel J. Heyman -- Mr. Heyman has been a director and Chairman of the Board of International Specialty Holdings since December 2001 and of ISP since its formation and was Chief Executive Officer of ISP and some of its subsidiaries from their formation to June 1999. Mr. Heyman also has been a director of G-I Holdings for more than five years and was President and Chief Executive Officer of G-I Holdings and some of its subsidiaries for more than five years until September 2000. In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. Mr. Heyman was a director and Chairman of the Board of BMCA from its formation to September 2000 and served as Chief Executive Officer of BMCA and some of its subsidiaries from June 1999 to September 2000, which position he also held from June 1996 to January 1999. 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. Mr. Heyman has served as a director of Hercules Incorporated, a global manufacturer and marketer of specialty chemicals, since May 2001.

Sunil Kumar -- Mr. Kumar has been President and Chief Executive Officer of International Specialty Holdings Inc. since June 2001, and ISP Chemco Inc. and its indirect parent, ISP, since June 1999. He has been a director of International Specialty Holdings Inc. and ISP Chemco Inc. since June 2001, and a director of ISP since June 1999. Mr. Kumar was a director, President and Chief Executive Officer of BMCA and some of its subsidiaries from May 1995, July 1996 and January 1999, respectively, to June 1999. He also was Chief Operating Officer of BMCA and some of its subsidiaries from March 1996 to January 1999. Mr. Kumar was President, Commercial Roofing Products Division, and Vice President of BMCA from February 1995 to March 1996. He also was a director and Vice-Chairman of the Board of G-I Holdings from January 1999 to June 1999. In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. Mr. Kumar has served as a director of Hercules Incorporated since May 2001.

Richard A. Weinberg -- Mr. Weinberg has been Executive Vice President, General Counsel and Secretary of International Specialty Holdings Inc. since June 2001, and has been a Director since December 2001 and has been Executive Vice President, General Counsel and Secretary of ISP Chemco Inc. and its indirect parent, ISP, since May 1998 and was Senior Vice President, General Counsel and Secretary of ISP and its subsidiaries from May 1996 to May 1998. He also has been a director of some of ISP's subsidiaries since May 1996 and was a director of ISP Chemco Inc. from its formation to June 2001. Mr. Weinberg has been President, Chief Executive Officer, General Counsel and Secretary of G-I Holdings since September 2000 and was Executive Vice President, General Counsel and Secretary of G-I Holdings from May 1998 to September 2000. He also was Senior Vice President, General Counsel and Secretary of G-I Holdings from May 1996 to May 1998. Mr. Weinberg has served as a director of G-I Holdings since May 1996. In January 2001, G-I Holdings filed a voluntary petition for reorganization

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under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. Mr. Weinberg also has been Executive Vice President, General Counsel and Secretary of BMCA and its subsidiaries since May 1998, and was Senior Vice President, General Counsel and Secretary of BMCA and its subsidiaries from May 1996 to May 1998.

Neal E. Murphy -- Mr. Murphy has been Senior Vice President and Chief Financial Officer of International Specialty Holdings Inc., ISP Chemco Inc. and ISP since February 2002. He has been a director of ISP Chemco Inc. since February 2002. Prior to joining ISP, he was President of PQ Europe, a global developer and producer of silica-based specialty chemicals, inorganic chemicals and performance particles from August 1999 to September 2001 and Vice President and Chief Financial Officer of PQ Corporation, the parent of PQ Europe, from May 1995 until July 1999.

Susan B. Yoss -- Ms. Yoss has been Executive Vice President -- Finance and Treasurer of International Specialty Holdings Inc. since June 2001, ISP Chemco Inc. since September 2000 and ISP since September 2000. She was Senior Vice President and Treasurer of ISP and its subsidiaries from July 1999 to September 2000 and was Vice President and Treasurer of ISP and its subsidiaries from February 1998 to June 1999. She also has been Senior Vice President of BMCA and its subsidiaries since July 1999 and was Treasurer of those companies from July 1999 to August 2001. She was Vice President and Treasurer of BMCA from February 1998 to June 1999. Ms. Yoss also has served as Senior Vice President, Chief Financial Officer and Treasurer of G-I Holdings since July 1999. In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. She was Assistant Treasurer of Joseph E. Seagram & Sons, Inc., a global beverage and entertainment company for more than five years until February 1998.

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CERTAIN RELATIONSHIPS

MANAGEMENT AGREEMENT

Pursuant to a management agreement, we provide certain general management, administrative, legal, telecommunications, information and facilities services to BMCA and our parent company. Charges for providing these services aggregated $6.8 million in 2001. These charges consist of management fees and other reimbursable expenses attributable to, or incurred for the benefit of, the respective parties, which are based on an estimate of the costs we incur to provide these services. The receivable for these management fees as of December 31, 2001 was $0.5 million. The management agreement also provides that we pay to a subsidiary of G-I Holdings lease payments for the use of one of our sales offices. Effective January 1, 2001, the management agreement was amended to provide for the automatic extension of the agreement for successive quarterly periods unless the agreement is terminated by a party on thirty-days notice, and to adjust the management fees payable thereunder. Effective June 27, 2001 and January 1, 2002, respectively, the management agreement was further amended to adjust the management fees payable thereunder. We and BMCA also allocate a portion of the management fees payable by BMCA under the management agreement to separate lease payments for the use of BMCA's headquarters. Based on the services provided by us in 2001 under the management agreement, the aggregate amount payable to us under the management agreement for 2002, net of the lease payments to the subsidiary of G-I Holdings, is expected to be approximately $6.1 million.

In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. As a result, as of December 31, 2001, we established a reserve for doubtful receivables from G-I Holdings of $2.7 million, representing $0.6 million of unpaid management fees and $2.1 million of other payments that we made on behalf of G-I Holdings.

Some of our executive officers perform services for our affiliates, pursuant to the management agreement, and we are indirectly reimbursed for those services by virtue of the management fees and other reimbursable expenses payable under the management agreement. In this regard, Mr. Weinberg and Ms. Yoss received $500,000 and $300,000, respectively, of additional compensation in connection with services performed by them for BMCA in 2001. BMCA reimbursed us for these payments pursuant to the management agreement.

Although, due to the unique nature of the services provided under the management agreement, comparisons with third party arrangements are difficult, we believe that the terms of the management agreement, taken as a whole, are no less favorable to us than could be obtained from an unaffiliated third party.

TAX SHARING AGREEMENT

Some of our subsidiaries were a party to tax sharing agreements with members of the consolidated tax group that included G-I Holdings, which we refer to as the "G-I Holdings Group," in certain prior years and, accordingly, would be severally liable for any tax liability of the G-I Holdings Group in respect of those prior years. Until January 1, 1997, we and those subsidiaries were members of the G-I Holdings Group. Therefore, those tax sharing agreements are no longer applicable with respect to our tax liabilities for periods subsequent to January 1, 1997. We remain obligated, however, with respect to tax liabilities imposed or that may be imposed for periods prior to such date. Among other things, those tax sharing agreements provide for the sharing of the G-I Holdings Group's consolidated tax liability based on each member's share of the tax as if that member filed on a separate basis. Accordingly, a payment of tax would be made to G-I Holdings equal to our allocable share of the G-I Holdings Group's consolidated tax liability.

NEW TAX SHARING AGREEMENTS

In connection with the Restructuring, we entered into a tax sharing agreement with ISP Chemco with respect to the payment of federal income taxes and related matters. The tax sharing agreement is

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substantially similar to the tax sharing agreement described above. During the term of the tax sharing agreement, which will extend for as long as we or any of our domestic subsidiaries, as the case may be, are included in a consolidated federal income tax return filed by ISP or a successor entity, ISP Chemco is obligated to pay to us an amount equal to the amount of federal income taxes ISP Chemco would have incurred if, subject to specific exceptions, ISP Chemco (on behalf of itself and its domestic subsidiaries) filed its own consolidated federal income tax return. These exceptions include, among others, that ISP Chemco may utilize specific favorable tax attributes, i.e., losses, deductions and credits (except for a specific amount of foreign tax credits and, in general, net operating losses), only at the time those attributes reduce the federal income tax liability of ISP and its consolidated subsidiaries. We refer to this consolidated group as the "ISP Group." In addition, ISP Chemco may carry back or carry forward its favorable tax attributes only after taking into account current tax attributes of the ISP Group. In general, subject to the foregoing limitations, unused tax attributes carry forward for use in reducing amounts payable by ISP Chemco to us in future years. Subject to specific exceptions, actual payment for those attributes will be made by International Specialty Holdings to ISP Chemco only when ISP receives an actual refund of taxes from the Internal Revenue Service or, under specific circumstances, the earlier of the dates of the filing of our federal income tax returns for our taxable years following the last taxable year in which we were a member of the ISP Group. Foreign tax credits not utilized by ISP Chemco in computing its tax sharing payments will be refunded by us to ISP Chemco, if those credits expire unutilized, upon the termination of the statute of limitations for the year of expiration.

The tax sharing agreement between us and ISP Chemco provides for analogous principles to be applied to any consolidated, combined or unitary state or local income taxes. Under the tax sharing agreement, we make all decisions with respect to all matters relating to ISP Chemco's obligations with respect to federal and state taxes. The provisions of the tax sharing agreement take into account both the federal income taxes ISP Chemco would have incurred if ISP Chemco filed its own separate federal income tax return and the fact that ISP Chemco is a member of the ISP Group for federal income tax purposes.

In connection with the Financing Transactions, we entered into a tax sharing agreement with ISP which is substantially the same as that with ISP Chemco.

SALES TO AFFILIATES

BMCA and its subsidiaries purchase all of their colored roofing granules requirements from us under a requirements contract, except for the requirements of some of their roofing plants which are supplied by a third party. Effective January 1, 2002, this contract was extended by the parties to expire on December 31, 2002. In 2001, BMCA and its subsidiaries purchased a total of $63.4 million of mineral products from us, representing 8.1% of our total net sales and 78.6% of our net sales of mineral products. Sales by us to BMCA and its subsidiaries totaled $57.3 and $59.3 million for 1999 and 2000, respectively. The receivable from BMCA and its subsidiaries for sales of mineral products as of December 31, 2000 and 2001 was $7.7 and $8.8 million, respectively. Our supply arrangements with BMCA and its subsidiaries are at prices and on terms which we believe are no less favorable to us than could be obtained from an unaffiliated third party.

CERTAIN OTHER MATTERS

In February 2001, we made a loan to Mr. Weinberg in the principal amount of $36,450 to enable him to satisfy some withholding tax obligations in connection with his award of 13,055 shares of unrestricted common stock of ISP. The loan bears interest at the lowest applicable federal rate, as it may be adjusted from time to time, and is due and payable in full, together with accrued interest thereon, on demand and, in any event, not later than April 15, 2002. This loan was repaid on April 15, 2002.

In January 2001, July 2001 and January 2002, we made loans to Ms. Yoss in the principal amounts of $44,282, $78,855, and $71,349, respectively, to enable her to satisfy some withholding tax obligations in connection with her award of 150,000 shares of restricted common stock of ISP, 18,750 shares of which

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vested on each of January 1, 2001, July 1, 2001 and January 1, 2002. The remainder of those shares vest in 12.5% increments every six months thereafter until full vesting on January 1, 2004, subject to specified terms and conditions. Each loan bears interest at the lowest applicable federal rate, as it may be adjusted from time to time. Each loan is due and payable in full, together with accrued interest thereon, on demand and, in any event, not later than April 15, 2003.

We invest primarily in international and domestic securities of companies involved in acquisition or reorganization transactions. We generally make these investments at the same time and price that certain investment partnerships controlled by Mr. Heyman and his family are making similar investments. Management of this investment activity is provided by personnel of the Heyman investment partnerships, including Mr. Heyman, assisted by certain of our personnel, at no cost or charge to either party.

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DESCRIPTION OF OTHER INDEBTEDNESS

SENIOR CREDIT FACILITIES

The Senior Credit Facilities were provided by a syndicate of banks and other financial institutions, with J.P. Morgan Securities Inc. as the exclusive advisor, lead arranger and book runner, The Chase Manhattan Bank as the administrative agent and collateral agent and Bear Stearns Corporate Lending Inc. and UBS Warburg LLC as co-syndication agents. ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc. are co-borrowers under the Senior Credit Facilities, which is comprised of a term loan facility and a revolving credit facility. The term loan facility is comprised of a term loan denominated in eurodollars or U.S. dollars in an amount equal to the U.S. dollar equivalent of $225.0 million, which terminates on June 27, 2008. The revolving credit facility provides for loans of up to an amount equal to the U.S. dollar equivalent of $225.0 million, available in eurodollars or U.S. dollars, and will include a borrowing capacity not in excess of $50.0 million for letters of credit and a borrowing capacity not in excess of $5.0 million for borrowings on same-day notice. The revolving credit facility terminates on June 27, 2006 and amounts borrowed under the revolving credit facility are due on that date. As of March 31, 2002, $310.7 million was outstanding under the Senior Credit Facilities.

INTEREST RATE; FEES

All borrowings under the Senior Credit Facilities will bear interest at a rate per annum equal to either: (a) the "eurodollar rate" (which is based on a formula relating to the rate for eurodollar deposits for a given interest period as quoted on the Telerate Service) plus (A) in the case of the term loan, a margin that ranges from 2.50% to 3.25% depending on the ratio of our total consolidated debt to EBITDA (as defined in the Senior Credit Facilities) and (B) in the case of the revolving credit facility, a margin that ranges from 1.75% to 2.75% depending on the ratio of our total consolidated debt to EBITDA (as defined in the Senior Credit Facilities) or (b) the "alternate base rate" (generally, the higher of (x) the rate of interest publicly announced by Chase as its prime rate in effect as its principal office in New York City (the "Prime Rate") and (y) the federal funds effective rate from time to time plus 0.50%) plus (A) in the case of the term loan facility, a margin that ranges from 1.50% to 2.25% depending on the ratio of our total consolidated debt to EBITDA and (B) in the case of the revolving credit facility, a margin that ranges from 0.75% to 1.75% depending on the ratio of our total consolidated debt to EBITDA.

A commitment fee calculated at the rate of 0.50% per annum (or if the ratio of our total consolidated debt to EBITDA is less than 2.5 to 1, then 0.375%) will be payable on any amounts not borrowed under the revolving credit facility, payable quarterly in arrears. For purposes of calculating the commitment fee, same-day borrowings shall not be deemed a utilization of the revolving credit facility.

A commission will be payable on outstanding letters of credit at a rate per annum equal to the eurodollar rate applicable margin for loans under the revolving credit facility on the face amount of each letter of credit and shall be payable quarterly in arrears. In addition, a fronting fee equal to 0.25% per annum on the face amount of each letter of credit shall be payable quarterly in arrears to the applicable bank that issued each letter of credit for its own account.

The Senior Credit Facilities also provide for other fees to be paid to the lenders, the administrative agent and the collateral agent.

REPAYMENT; PREPAYMENTS

The term loan facility will be repaid in (A) twenty consecutive quarterly installments of $562,500 (0.25% of the original aggregate principal amount of the term loans), beginning on the quarterly payment date first occurring after the initial funding date and (B) four consecutive semi-annual payments of $53,437,500 (23.75% of the original aggregate principal amount of the term loans), beginning on the second quarterly payment date after the last payment is due under clause (A) above and ending on the seventh anniversary of the initial funding date.

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In addition, under the Senior Credit Facilities, the co-borrowers are required to make mandatory prepayments and commitment reductions (A) with the proceeds of the disposition of all or substantially all of the specialty chemicals business (other than granules or materials businesses) of the Chemco Group (as defined in the Senior Credit Facilities to include the co-borrowers, the guarantors and other subsidiaries) and (B) with the adjusted net cash proceeds of specific dispositions in excess of $15 million per fiscal year, subject to the borrowers' ability to reinvest those net cash proceeds in accordance with the terms and conditions of the Senior Credit Facilities.

GUARANTEES; SECURITY

The obligations under the Senior Credit Facilities are guaranteed by all of ISP Chemco's direct and indirect domestic subsidiaries and (to the extent consistent with tax efficiency) foreign subsidiaries, other than unrestricted subsidiaries (as defined in the Senior Credit Facilities) and International Specialty Products Funding Corporation.

All of the obligations in respect of the Senior Credit Facilities, including hedge agreements, foreign exchange contracts and cash management agreements involving any of the lenders and any of the obligors thereunder (which does not include International Specialty Holdings Inc. and ISP Investco), are secured by a first-priority, perfected security interest in all of the real and personal property of the obligors, except (A) to the extent that the administrative agent determines that the costs of obtaining such a security interest are excessive in relation to the value of the security afforded thereby, (B) to the extent that any intellectual property of an obligor is subject to a negative pledge provision of which the applicable obligor is unable to effect a waiver, (C) the Linden, New Jersey and Belleville, New Jersey real properties, (D) accounts receivable of the obligors, (E) 34% of the capital stock held by an obligor directly in foreign subsidiaries that are not obligors and (F) the capital stock held indirectly by an obligor in a foreign subsidiary that is not an obligor.

CERTAIN COVENANTS

The Senior Credit Facilities require compliance by ISP Chemco and its subsidiaries with the following financial covenants:

Interest Coverage Ratio. ISP Chemco and its subsidiaries will not, on any date of determination, permit the ratio of:

- EBITDA for the period of four consecutive fiscal quarters ending on or most recently ended prior to the date of determination to interest expense during that period, to be less than the applicable ratio specified below opposite the period below in which the date of determination occurs:

PERIOD	APPLICABLE RATIO
June 27, 2001 through the penultimate day of the fourth fiscal quarter of 2003, inclusive.....	2.00 to 1
From the last day of the fourth fiscal quarter of 2003 through the penultimate day of the fourth fiscal quarter of 2004, inclusive.....	2.25 to 1
From the last day of the fourth fiscal quarter of 2004 through the penultimate day of the second fiscal quarter of 2006, inclusive.....	2.50 to 1
From the last day of the second fiscal quarter of 2006 and thereafter.....	2.75 to 1

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Total Debt Leverage Maintenance Ratio. ISP Chemco and its subsidiaries will not, on any date of determination, permit the total debt leverage maintenance ratio to be greater than the applicable ratio specified below opposite the period in which the date of determination occurs:

PERIOD	APPLICABLE RATIO
June 27, 2001 through the penultimate day of the fourth fiscal quarter of 2003, inclusive	4.75 to 1
From the last day of the fourth fiscal quarter of 2003 through the penultimate day of the fourth fiscal quarter of 2004, inclusive	4.50 to 1
From the last day of the fourth fiscal quarter of 2004 through the penultimate day of the second fiscal quarter of 2005, inclusive	4.25 to 1
From the last day of the fourth fiscal quarter of 2005 through the penultimate day of the second fiscal quarter of 2006, inclusive	4.00 to 1
From the last day of the second fiscal quarter of 2006 and thereafter	3.75 to 1

The "total debt leverage maintenance ratio" is the ratio of total consolidated indebtedness as of the date of determination to EBITDA for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, the date of determination.

Senior Debt Leverage Maintenance Ratio. ISP Chemco and its subsidiaries will not, on any date of determination, permit the ratio of:

- Total consolidated senior indebtedness as of the date of determination to EBITDA for the period of four consecutive fiscal quarters ending on or most recently ended prior to the date of determination, to be greater than the applicable ratio specified below opposite the period below in which the date of determination occurs:

PERIOD	APPLICABLE RATIO
June 27, 2001 through the penultimate day of the fourth fiscal quarter of 2001, inclusive	3.25 to 1
From the last day of the fourth fiscal quarter of 2001 through the penultimate day of the second fiscal quarter of 2006, inclusive	3.00 to 1
From the last day of the second fiscal quarter of 2006 and thereafter	2.75 to 1

Minimum Adjusted Net Worth. ISP Chemco and its subsidiaries will not, on any date of determination, permit its adjusted net worth to equal less than the sum of (A) $475,000,000, plus (B) 50% of consolidated net income of each fiscal quarter of the ISP Chemco consolidated group for the period beginning on April 1, 2001 through and including the last day of the fiscal quarter ending on, or most recently ended prior to, such date (but only to the extent that the consolidated net income for that period is a positive number), minus the aggregate amount of dividends and other payments in respect of its capital made from proceeds of qualified senior subordinated debt pursuant to the Senior Credit Facilities.

The Senior Credit Facilities contain a number of other covenants including, among others, covenants limiting ISP Chemco's ability and that of some of its subsidiaries to incur debt and make guarantees, issue dividends or make other payments in respect of capital stock, make restricted payments, incur liens, change lines of business, engage in transactions with affiliates, sell assets and engage in sale leaseback transactions.

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EVENTS OF DEFAULT

The Senior Credit Facilities contain events of default including, without limitation (subject to customary cure periods and materiality thresholds):

- failure to make payments when due;

- material inaccuracy of representations and warranties;

- breach of covenants;

- cross-defaults and cross-accelerations;

- events of insolvency, bankruptcy or similar events;

- ERISA events;

- environmental matters;

- material judgments or injunctions;

- actual or asserted invalidity of any guarantee, security document, security interest, or subordination agreement;

- breach of subordination provisions of subordinated indebtedness;

- cessation or suspension of material operations; and

- a change in control.

OTHER INDEBTEDNESS

2011 NOTES

In 2001, ISP Chemco and three of its wholly owned, domestic subsidiaries jointly issued in three private placements $405.0 million aggregate principal amount of 2011 Notes. The 2011 Notes are their senior subordinated obligations and are unsecured. The 2011 Notes are guaranteed by all of the co-issuers' domestic subsidiaries other than certain immaterial subsidiaries and an accounts receivable financing subsidiary. Holders of the 2011 Notes have the right to require the co-issuers to purchase the notes in the event of a change of control, at a price of 101% of their principal amount, and the co-issuers have the right to redeem the notes on or after July 1, 2006 at their principal amount plus the applicable premium set forth in the indenture governing the 2011 Notes, together with any accrued and unpaid interest. Covenants contained in the indenture governing the 2011 Notes apply to ISP Chemco and the other three co-issuers and to their subsidiaries. For instance, the incurrence of additional debt and the issuance of preferred stock by the co-issuers and some of their subsidiaries would be restricted unless, subject to specific exceptions, the fixed charge coverage ratio for ISP Chemco's most recently ended four fiscal quarters for which internal financial statements are available would have been at least 2.0 to 1, determined on a pro forma basis. The fixed charge coverage ratio is, for any period, the ratio of ISP Chemco's consolidated cash flow for such period to its consolidated fixed charges. Fixed charges consist of interest expense, the interest component of capitalized leases, fees incurred under letters of credit, payments received under hedging obligations and cash dividends on any outstanding preferred stock. The indenture, among other things, also restricts the co-issuers' ability to sell substantially all of their assets or merge or consolidate with or into other companies, pay dividends or make other distributions, and make other restricted payments and investments. As of March 31, 2002, there were $405.0 million in aggregate principal amount of the 2011 Notes outstanding.

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DESCRIPTION OF THE REGISTERED NOTES

You can find the definitions of some of the terms used in this description below under the subheading "-- Certain Definitions." In this description, "we," "us" and "our" refer to International Specialty Holdings Inc., and not to any of its subsidiaries.

We will issue the registered notes under an indenture with Wilmington Trust Company, as trustee, under which we issued the old notes. We refer to the old notes and the registered notes collectively as the "notes." The old notes and the registered notes constitute the same series of notes under the indenture governing the notes. 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.

The following description is a summary of the material provisions of the indenture. It does not restate those agreements in their entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the notes. Copies of the indenture are available as set forth below under "-- Additional Information." Some of the defined terms used in this description but not defined below under "-- Certain Definitions" have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

BRIEF DESCRIPTION OF THE NOTES

The notes:

- are secured by a first priority lien on all of the outstanding capital stock of ISP Chemco Inc., which is one of our wholly owned subsidiaries;

- are equal in right of payment with all of our future senior debt; and

- are senior in right of payment to any of our future senior subordinated debt.

The notes are effectively subordinated, however, to all indebtedness and other liabilities, including trade payables, of our subsidiaries. See "Risk Factors -- Risks Related to the Notes -- Although we refer to the notes we are offering as "senior notes," they are effectively subordinated to any liabilities of our subsidiaries."

ISP Investco LLC and its subsidiaries, ISP Chemco's accounts receivable subsidiary and certain immaterial subsidiaries have been designated under the indenture as "Unrestricted Subsidiaries." All of our other direct and indirect subsidiaries, including ISP Chemco Inc., are "Restricted Subsidiaries" under the indenture. Under the circumstances described below under the subheading "-- Certain Covenants -- Designation of Restricted and Unrestricted Subsidiaries," we are permitted to designate our other subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries are only subject to the covenants in the indenture concerning payment of taxes and maintenance of corporate existence.

PRINCIPAL, MATURITY AND INTEREST

We may issue additional notes under the indenture from time to time after this offering, subject to the covenant described below under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock." Any additional notes would be secured by the collateral on a pro rata basis with the other holders of the notes. See "Risk Factors -- Risk Factors Related to the Notes -- Additional issuances of notes could dilute your collateral." The old notes and the registered notes, as well as any additional notes subsequently issued under the indenture, will be treated as a single series for all purposes under the indenture, including, without limitation, redemptions of notes, offers to purchase notes, and the percentage of notes required to consent to waivers of provisions of, and amendments to, the indenture, except with respect to interest accrual and registration rights. We will issue notes in denominations of $1,000 and integral multiples of $1,000. The notes will mature on December 15, 2009.

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Interest on the notes accrues at the rate of 10 5/8% per annum and is payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2002. We will make each interest payment to the Holders of record on the immediately preceding June 1 and December 1.

Interest on the notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

SECURITY

The old notes are, and the registered notes will be, secured by a pledge of all of the outstanding capital stock of our wholly owned subsidiary, ISP Chemco Inc. The collateral has been pledged to the trustee for the benefit of the holders of the notes pursuant to the Pledge Agreement.

If the notes become due and payable prior to their maturity for any reason, other than an optional redemption by us, or are not paid in full at their maturity and after any applicable grace period has expired, the trustee will have the exclusive right to foreclose upon and exercise remedies in respect of the collateral. The trustee will act in accordance with instructions from the holders of a majority in principal amount of the notes or, in the absence of these instructions, in any manner as the trustee deems appropriate in its sole and absolute discretion.

There can be no assurance that the proceeds from the sale of the collateral would be sufficient to satisfy payments due on the notes. In the case of a default, there may not be sufficient available collateral to satisfy the obligations under the notes. If the proceeds are not sufficient to repay all amounts due on the notes, then you (to the extent not repaid from those proceeds) will only have an unsecured claim against our remaining assets.

If an Event of Default occurs under the indenture and a declaration of acceleration of the notes occurs as a result, the trustee, on behalf of the holders of the notes, in addition to any rights or remedies available to it under the indenture, may take any action as it deems advisable to protect and enforce its rights in the collateral, including the institution of foreclosure proceedings. The proceeds received by the trustee from any foreclosure will be applied by the trustee first to pay the expenses of the foreclosure and fees and other amounts then payable to the trustee under the indenture, and thereafter to pay the principal, interest and liquidated damages, if any, on the notes.

We will not grant to any person (other than the trustee on behalf of the holders of the notes and any additional notes issued under the indenture) any interest whatsoever in the collateral (other than as permitted by the Pledge Agreement).

METHODS OF RECEIVING PAYMENTS ON THE NOTES

If a holder has given us wire transfer instructions, we will pay all principal of and interest and liquidated damages, if any, on that holder's notes in accordance with those instructions. All other payments on notes will be made at the office or agency of the paying agent and registrar. We also have the right to make interest payments by check mailed to the holders at their address set forth in the register of holders.

PAYING AGENT AND REGISTRAR FOR THE NOTES

The trustee will initially act as paying agent and registrar. We may change the paying agent or registrar without prior notice to the holders of the notes. We or any of our subsidiaries may act as paying agent or registrar.

TRANSFER AND EXCHANGE

A holder may transfer or exchange notes in accordance with the indenture. The registrar and the trustee may require a holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. We will not be required

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to transfer or exchange any note selected for redemption. We also will not be required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

MANDATORY REDEMPTION

We will not be required to make mandatory redemption or sinking fund payments with respect to the notes.

OPTIONAL REDEMPTION

At any time prior to December 15, 2004, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of notes originally issued under the indenture at a redemption price of 110.625% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings. We are only permitted to complete any such redemption if:

(1) at least 65% of the aggregate principal amount of notes originally issued under the indenture remains outstanding immediately after the redemption (excluding notes held by us and our Affiliates); and

(2) notice of the redemption is given within 30 days of the date of the closing of the Equity Offering.

The notes are not otherwise redeemable at our option prior to December 15, 2005.

After December 15, 2005, we may redeem all or a part of the notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and liquidated damages, if any, on the notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on December 15 of the years indicated below:

YEAR	PERCENTAGE
2005	105.313%
2006	103.542%
2007	101.771%
2008 and thereafter	100.000%

REPURCHASE AT THE OPTION OF HOLDERS

CHANGE OF CONTROL

If a Change of Control occurs, we will be obligated to make an offer to each holder of notes to repurchase all or any part (equal to $1,000 or an integral multiple of $1,000) of that holder's notes (other than notes previously called for redemption) pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, we will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased, to the date of purchase. Within 30 days following any Change of Control, we will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the Change of Control Payment Date specified in the notice. That date will be no earlier than 30 days and no later than 60 days from the date the notice is mailed and the offer will be made pursuant to the procedures required by the indenture and described in the notice. We also will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. If the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, we will comply with the applicable securities laws and regulations and will not be deemed to

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have breached our obligations under the Change of Control provisions of the indenture by virtue of the conflict.

On the Change of Control Payment Date, we will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased by us.

The paying agent will promptly mail to each holder of notes properly tendered the Change of Control Payment for these notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any; provided that each new note will be in a principal amount of $1,000 or an integral multiple of $1,000.

We will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require us to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that we repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

We will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by us and purchases all notes properly tendered and not withdrawn under the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of us and our Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of us and our Subsidiaries taken as a whole to another person or group may be uncertain.

ASSET SALES

We will not, and will not permit any of our Restricted Subsidiaries to, complete an Asset Sale unless:

(1) we receive, or the Restricted Subsidiaries receives, as the case may be, consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) the fair market value is determined by our Board of Directors and evidenced by a resolution of the Board of Directors set forth in an officers' certificate delivered to the trustee; and

(3) at least 75% of the consideration received in the Asset Sale by us or that Restricted Subsidiary is in the form of cash. For purposes of this provision, each of the following will be deemed to be cash:

(a) any of our liabilities or the Restricted Subsidiary's, as shown on our or the Restricted Subsidiary's most recent balance sheet (other than contingent liabilities and liabilities that

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are by their terms subordinated to the notes) that are assumed by the transferee of any of those assets;

(b) any securities, notes or other obligations received by us or the Restricted Subsidiary from the transferee that are contemporaneously, subject to ordinary settlement periods, converted or convertible by us or the Restricted Subsidiary into cash, to the extent of the cash received or that would be received in that conversion; and

(c) long-term assets that are used or useful in a Permitted Business.

Within 18 months after the receipt of any Net Proceeds from an Asset Sale, we or the Restricted Subsidiary may apply those Net Proceeds, at our option:

(1) to repay outstanding Indebtedness of ours or any of our Restricted Subsidiaries and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; provided, however, that if and to the extent that one of our Restricted Subsidiaries makes an offer to purchase or otherwise redeem outstanding Indebtedness pursuant to an agreement governing that Indebtedness that requires that such offer be made with those Net Proceeds, then that Restricted Subsidiary will be deemed for purposes of this provision to have purchased or otherwise redeemed the outstanding Indebtedness, whether or not the offer is accepted by the holders of that Indebtedness;

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business;

(3) to make a capital expenditure in a Permitted Business; or

(4) to acquire other long-term assets that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, we may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraphs will constitute "Asset Sale Proceeds." When the aggregate amount of Asset Sale Proceeds exceeds the Threshold Amount, we will make an Asset Sale Offer to all holders of notes and all holders of other Indebtedness that is pari passu with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of notes and the other pari passu Indebtedness that may be purchased out of the excess of the Asset Sale Proceeds over the Threshold Amount (that excess being referred to herein as the "Excess Proceeds"). We will not be obligated to make an Asset Sale Offer until the aggregate amount of Excess Proceeds exceeds $5.0 million. In addition, Net Proceeds received by a Restricted Subsidiary that is subject to a contractual restriction on its ability to dividend those Net Proceeds to us shall not constitute Excess Proceeds for so long as the restriction would either prohibit the dividend or reduce the amount of other dividends payable to us. The offer price in any Asset Sale Offer will be payable in cash and will be equal to 100% of principal amount plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase. If any Excess Proceeds remain after we complete an Asset Sale Offer, we may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other pari passu Indebtedness tendered into the Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and the other pari passu Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the aggregate amount of Asset Sale Proceeds will be reduced by the amount of Excess Proceeds relating to the Asset Sale Offer.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. If the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Asset Sale provisions of the indenture by virtue of that conflict.

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In the event of any sale, lease, conveyance or other disposition of any collateral, the lien of the holders in the portion of the collateral will be released if (a) the holders are granted a first priority, perfected lien in the cash and other proceeds of that sale, lease, conveyance or other disposition, and (b) the cash proceeds of the sale, lease, conveyance or other disposition are applied in accordance with this covenant and, to the extent that we choose to apply these proceeds in accordance with clauses (2), (3) or (4) of the second paragraph of this covenant, the holders are granted a first priority, perfected lien pursuant to the Pledge Agreement in the assets so acquired or improved.

SELECTION AND NOTICE

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption as follows:

(1) if the notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the notes are listed; or

(2) if the notes are not listed on any national securities exchange, on a pro rata basis, by lot or by any method as the trustee deems fair and appropriate.

No notes of $1,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. Redemption notices may be mailed more than 60 days prior to a redemption date, however, if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

CERTAIN COVENANTS

CHANGES IN COVENANTS WHEN NOTES RATED INVESTMENT GRADE

Following the first date upon which, but only for so long as:

(1) the notes are rated Baa3 or better by Moody's Investors Services, Inc. and BBB- or better by Standard & Poor's Ratings Services (or, in either case, if that person ceases to rate the notes for reasons outside of our control, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" (within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act) selected by us as a replacement agency);

(2) neither Moody's Investors Services, Inc. or Standard & Poor's Ratings Services has attached any "negative outlook" to the rating of the notes; and

(3) no Default or Event of Default has occurred and is continuing,

the covenants listed under "-- Repurchase at the Option of Holders -- Asset Sales," "-- Restricted Payments," "-- Incurrence of Indebtedness and Issuance of Preferred Stock," "-- Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries," "-- Designation of Restricted and Unrestricted Subsidiaries," "-- Transactions with Affiliates" and "-- Business Activities" will no longer be applicable to the notes. In addition, all Unrestricted Subsidiaries will become Restricted Subsidiaries and any then-existing Indebtedness of Unrestricted Subsidiaries will constitute Existing Indebtedness.

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RESTRICTED PAYMENTS

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of any of our Equity Interests or any of our Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving us or any of our Restricted Subsidiaries) or to the direct or indirect holders of any of our Equity Interests or any of our Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in our Equity Interests (other than Disqualified Stock) or dividends or distributions payable to us or one of our Restricted Subsidiaries);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving us) any of our Equity Interests or any Equity Interests of our direct or indirect parent;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the notes, except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment.

The payments and other actions set forth in (1) through (4) above are collectively referred to as "Restricted Payments." We and our Restricted Subsidiaries, however, may make Restricted Payments if at the time of and after giving effect to that Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of the Restricted Payment; and

(b) we would, at the time of the Restricted Payment and after giving pro forma effect to that Restricted Payment as if it had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(c) the Restricted Payment, together with the aggregate amount of all other Restricted Payments made by us and our Restricted Subsidiaries after December 13, 2001 (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6) and (7) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of our Consolidated Net Income for the period (taken as one accounting period) beginning January 1, 2002 to the end of our most recently ended fiscal quarter for which internal financial statements are available at the time of the Restricted Payment (or, if the Consolidated Net Income for that period is a deficit, less 100% of the deficit), plus

(ii) 100% of the aggregate proceeds received by us since December 13, 2001 as a contribution to common equity capital or from the issue or sale of our Equity Interests (other than Disqualified Stock) or from the issue or sale of our convertible or exchangeable Disqualified Stock or our convertible or exchangeable debt securities that have, in either case, been converted into or exchanged for the Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to one of our Subsidiaries), plus

(iii) to the extent that any Restricted Investment that was made after December 13, 2001 is sold for cash or otherwise liquidated or repaid for cash, the cash return of capital with respect to that Restricted Investment (less the cost of disposition, if any); plus

(iv) $50.0 million.

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In addition, if no Default or Event of Default has occurred and is continuing or would be caused thereby, the preceding provisions will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the indenture;

(2) the redemption, repurchase, retirement, defeasance or other acquisition of any of our subordinated Indebtedness or of any of our Equity Interests, or any dividend or other distribution in respect thereof, in exchange for Equity Interests (other than Disqualified Stock) of, or in an amount equal to the net cash proceeds of a sale (other than to one of our Restricted Subsidiaries) of our Equity Interests (other than Disqualified Stock) or a capital contribution to the equity of International Specialty Holdings in the prior 30-day period. The amount of any of those net cash proceeds that are utilized for any redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (c)(ii) of the preceding paragraph;

(3) the defeasance, redemption, repurchase or other acquisition or retirement of subordinated Indebtedness with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend by any of our Restricted Subsidiaries to the holders of its Equity Interests on a pro rata basis;

(5) the repurchase, redemption or other acquisition or retirement for value of any of our Equity Interests or any Equity Interests of any of our Restricted Subsidiaries or any direct or indirect parent company of ours held by any member of our management pursuant to any management equity subscription agreement, stock option agreement or similar agreement. The aggregate price paid for all repurchased, redeemed, acquired or retired Equity Interests may not exceed $3.0 million in any twelve-month period;

(6) any Restricted Payment for the purpose of defeasing, redeeming, repurchasing or otherwise acquiring or retiring the 2003 Notes and any Restricted Payment as contemplated to be made to ISP with the proceeds of the issuance of the notes; and

(7) payments required by the Tax Sharing Agreements as in effect on December 13, 2001, and amendments to that agreement that do not adversely affect in any material respect us, our Restricted Subsidiaries or the Holders.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by us or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors whose resolution with respect to the value of those assets or securities will be delivered to the trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds $10.0 million.

INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt). We also will not permit any of our Restricted Subsidiaries to issue any shares of preferred stock.

We and our Restricted Subsidiaries, however, can incur Indebtedness and our Restricted Subsidiaries can issue shares of preferred stock if the Fixed Charge Coverage Ratio for our most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which the additional Indebtedness is incurred or the preferred stock is issued would have been at least 1.75

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to 1. That calculation would assume that the additional Indebtedness had been incurred or the preferred stock had been issued, as the case may be, at the beginning of the four-quarter period. It would also assume the application of the net proceeds in the prospective transaction.

The first paragraph of this covenant will not prohibit the incurrence of any of the following Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence of Indebtedness (a) under the Credit Agreement (with letters of credit being deemed to have a principal amount equal to the maximum potential liability thereunder) or (b) pursuant to a Qualified Securitization Program. The aggregate amount of all Indebtedness incurred pursuant to this clause (1), however, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (1), must not exceed at any one time outstanding an amount equal to $550.0 million, less the aggregate amount applied by us and our Restricted Subsidiaries to repay Indebtedness under the Credit Agreement or a Qualified Securitization Program pursuant to the covenant described under the caption "-- Repurchase at the Option of Holders -- Asset Sales";

(2) the incurrence of Existing Indebtedness;

(3) the incurrence of Indebtedness represented by the notes;

(4) the incurrence of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in our business or the business of our Restricted Subsidiaries. The aggregate amount at any one time outstanding, however, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (4), must not exceed the greater of (a) $35.0 million and (b) 10.0% of our Net Tangible Assets as of the date on which any of that Indebtedness is incurred;

(5) the incurrence of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (1), (2), (3), (4), (5), (11), (12) or (14) of this paragraph;

(6) the incurrence of Indebtedness among us and any of our Restricted Subsidiaries, or among any of our Restricted Subsidiaries; provided, however, that:

(a) if we are an obligor with respect to that Indebtedness, that Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the notes, and

(b) any subsequent issuance or transfer of Equity Interests that results in any of that Indebtedness being held by a person other than us or one of our Restricted Subsidiaries, and any sale or other transfer of any of that Indebtedness to a person that is not either us or one of our Restricted Subsidiaries, will, in each case, be deemed to constitute an incurrence of the Indebtedness by us or the Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the incurrence of Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the indenture to be outstanding;

(8) the guarantee by us or any of our Restricted Subsidiaries of Indebtedness that was permitted to be incurred by another provision of this covenant;

(9) the accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and

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the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock;

(10) the incurrence by our Foreign Subsidiaries of Indebtedness in an aggregate amount at any time outstanding not to exceed $35.0 million;

(11) the incurrence by persons that become Restricted Subsidiaries of Acquired Debt in an aggregate principal amount at the date of incurrence not to exceed $50.0 million. That Acquired Debt must not have been incurred in connection with, or in contemplation of, that person merging with or into us or any of our other Restricted Subsidiaries. In addition, liability for the Acquired Debt must not extend to us or any of our other Restricted Subsidiaries, or any of their assets;

(12) our incurrence and the incurrence of Indebtedness in respect of industrial revenue bonds or other similar tax advantageous financings in an aggregate amount at any one time outstanding not to exceed $50.0 million. No more than $25.0 million of that Indebtedness shall relate to assets or properties owned by us or any of our Restricted Subsidiaries on December 13, 2001;

(13) the incurrence of Indebtedness arising from agreements providing for indemnification, adjustment of purchase price, earn out or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, asset or Subsidiary, other than guarantees of Indebtedness incurred by any person acquiring the business, asset or Subsidiary. The maximum amount of all of that Indebtedness shall at no time exceed the gross proceeds actually received by us or one of our Restricted Subsidiaries in connection with the disposition;

(14) the incurrence of Indebtedness permitted to be incurred by our Subsidiaries in the indenture governing the 2011 Notes as that agreement is in effect on December 13, 2001 at a time when the fixed charge coverage ratio specified therein had been met or exceeded; and

(15) the incurrence of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding not to exceed $50.0 million.

For purposes of determining compliance with this covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (15) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, we will be permitted to classify the item of Indebtedness on the date of its incurrence in any manner that complies with this covenant.

LIENS

We will not, directly or indirectly, create, incur, assume or suffer to exist any lien of any kind securing Indebtedness, Attributable Debt or trade payables on any asset now owned or hereafter acquired, except Permitted Liens, unless the notes are secured by a lien on these assets on an equal and ratable basis.

DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to us or any of our Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to us or any of our Restricted Subsidiaries;

(2) make loans or advances to us or any of our Restricted Subsidiaries; or

(3) transfer any of its properties or assets to us or any of our Restricted Subsidiaries.

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However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness and the Credit Agreement, in each case as in effect on December 13, 2001 and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements. Those amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, with respect to the dividend and other payment restrictions than those contained in those agreements on December 13, 2001;

(2) the indenture, the notes and the exchange notes;

(3) applicable law;

(4) any instrument governing Indebtedness or Capital Stock of a person acquired by us or any of our Restricted Subsidiaries as in effect at the time of the acquisition (except to the extent the Indebtedness or Capital Stock was incurred in connection with or in contemplation of the acquisition), which encumbrance or restriction is not applicable to any other person, or the properties or assets of any other person. In the case of Indebtedness, the Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness. The restrictions contained in the agreements governing the Permitted Refinancing Indebtedness are no more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens otherwise permitted to be incurred under the provisions of the covenant described above under the caption "-- Liens" that limit our right and the right of our Restricted Subsidiaries to dispose of the assets subject to the liens;

(10) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(12) any agreement governing Indebtedness of Foreign Subsidiaries permitted under "-- Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(13) any agreement governing Indebtedness incurred after December 13, 2001 permitted under "-- Incurrence of Indebtedness and Issuance of Preferred Stock." The restrictions contained therein are, in the good faith judgment of the Board of Directors, not materially less favorable, taken as a whole, to the holders than those contained in agreements governing Existing Indebtedness.

MERGER, CONSOLIDATION OR SALE OF ASSETS

We may not, directly or indirectly: (1) consolidate or merge with or into another person (whether or not we are the surviving corporation); or (2) sell, assign, transfer, convey or otherwise dispose of all or

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substantially all of the properties or assets of us and our Subsidiaries, taken as a whole, in one or more related transactions, to another person; unless:

(1) either: (a) we are the surviving corporation; or (b) the person formed by or surviving any consolidation or merger (if other than us) or to which the sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the person formed by or surviving any consolidation or merger (if other than us) or the person to which the sale, assignment, transfer, conveyance or other disposition has been made (if other than us) assumes all our obligations under the notes, the indenture and the registration rights agreement pursuant to agreements reasonably satisfactory to the trustee;

(3) immediately after the transaction no Default or Event of Default exists; and

(4) we or the person formed by or surviving any consolidation or merger (if other than us), or to which the sale, assignment, transfer, conveyance or other disposition has been made:

(a) will have Consolidated Net Worth immediately after the transaction equal to or greater than our Consolidated Net Worth immediately preceding the transaction; and

(b) will, on the date of the transaction after giving pro forma effect to the transaction and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "-- Incurrence of Indebtedness and Issuance of Preferred Stock."

In addition, we may not, directly or indirectly, lease all or substantially all of our properties or assets, in one or more related transactions, to any other person. This "Merger, Consolidation or Sale of Assets" covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among us and our Restricted Subsidiaries and will not apply to a sale, assignment, transfer, conveyance or other disposition of all or any portion of the assets of Unrestricted Subsidiaries.

TRANSACTIONS WITH AFFILIATES

We will not, and will not permit any of our Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its respective properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to us or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by us or the Restricted Subsidiary with an unrelated person; and

(2) we deliver to the trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, a resolution of the Board of Directors set forth in an officers' certificate certifying that the Affiliate Transaction complies with this covenant and that the Affiliate Transaction has been approved by a majority of the members of the Board of Directors who have no personal stake in the transaction and who are not Affiliates of any party (other than us and our Restricted Subsidiaries) to the transaction ("disinterested members"). If there are no disinterested members of the Board of Directors, we must deliver to the trustee an opinion as to the fairness to the holders of the Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing; and

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(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $30.0 million, an opinion as to the fairness to the holders of the Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items will not be subject to the provisions of the prior paragraph:

(1) any transaction with our employees or employees of any of our Restricted Subsidiaries, including entering into compensation plans, entered into in the ordinary course of business and consistent with our past practice or the past practice of the Restricted Subsidiary;

(2) transactions between or among us and our Restricted Subsidiaries;

(3) transactions with a person that is an Affiliate of ours solely because we own an Equity Interest in, or control, the person;

(4) payment of reasonable compensation (including stock and option compensation) and expense reimbursements to members of the Board of Directors who are not otherwise Affiliates of ours;

(5) sales of Equity Interests (other than Disqualified Stock) to Affiliates of ours;

(6) sales of inventory to BMCA and its Subsidiaries in the ordinary course of business;

(7) transactions pursuant to the Management Agreement as in effect on December 13, 2001, and amendments to that agreement that do not adversely affect in any material respect us, our Restricted Subsidiaries or the holders;

(8) any sale, conveyance or other transfer of accounts receivable and other related assets customarily transferred in an accounts receivable securitization program in a Qualified Securitization Program; and

(9) Restricted Payments that are permitted by the provisions of the indenture described above under the caption "-- Restricted Payments."

DESIGNATION OF RESTRICTED AND UNRESTRICTED SUBSIDIARIES

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value at the time of the designation of all outstanding Investments owned by us and our Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the first paragraph of the covenant described above under the caption "-- Restricted Payments" or Permitted Investments, as determined by us. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

BUSINESS ACTIVITIES

We will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to the extent as would not be material to us and our Restricted Subsidiaries taken as a whole.

PAYMENTS FOR CONSENT

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless the consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree

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to amend in the time frame set forth in the solicitation documents relating to the consent, waiver or agreement.

REPORTS

Whether or not required by the Securities and Exchange Commission, so long as any notes are outstanding, we will furnish to the holders of notes, within the time periods specified in the Commission's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if we were required to file those Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by our certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if we were required to file the reports.

The quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the accompanying footnotes, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of us and our Restricted Subsidiaries separate from the financial condition and results of operations of our Unrestricted Subsidiaries.

In addition, following the completion of the exchange offer, whether or not required by the Commission, we will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make the information available to securities analysts and prospective investors upon request. In addition, we have agreed that, for so long as any notes remain outstanding, we will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

For so long as we are a subsidiary of ISP, if permitted by applicable law, the foregoing requirements shall be deemed to be satisfied if ISP delivers the reports and other information required thereby.

EVENTS OF DEFAULT AND REMEDIES

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on or liquidated damages with respect to the notes;

(2) default in payment when due of the principal of or premium, if any, on the notes;

(3) failure to comply with the provisions described under the captions:

- "-- Repurchase at the Option of Holders -- Change of Control" or

- "-- Repurchase at the Option of Holders -- Asset Sales" or

- "-- Certain Covenants -- Merger, Consolidation or Sale of Assets," unless the provisions are not at the time applicable as set forth under "-- Changes in Covenants When Notes Rated Investment Grade";

(4) failure to comply with the provisions described under the captions "-- Certain Covenants -- Restricted Payments" or "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," unless the provisions are not at the time applicable as set forth under "-- Changes in Covenants When Notes Rated Investment Grade," and the failure continues for 30 days;

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(5) failure for 60 days after notice to comply with any of the other agreements in the indenture or the Pledge Agreement (except as provided in (10) below);

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by us or any of our Restricted Subsidiaries (or the payment of which is guaranteed by us or any of our Restricted Subsidiaries) whether the Indebtedness or guarantee now exists, or is created after December 13, 2001, if that default:

(a) is caused by a failure to pay principal of or interest or premium, if any, on the Indebtedness (after giving effect to any applicable grace period provided in the Indebtedness on the date of the default) (a "Payment Default"); or

(b) results in the acceleration of the Indebtedness prior to its express maturity,

and, in each case, the principal amount of any the Indebtedness, together with the principal amount of any other the Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $15.0 million or more;

(7) failure by us or any of our Restricted Subsidiaries to pay final judgments aggregating in excess of $15.0 million, which judgments are not paid, discharged or stayed within 60 days;

(8) we shall fail to place the net proceeds from the offering into the Escrow Account on December 13, 2001; or ISP shall fail to retire the 2003 Notes by February 11, 2002;

(9) specific events of bankruptcy or insolvency described in the indenture with respect to us or any of our Restricted Subsidiaries; and

(10) (i) the repudiation by us of our obligations under the Pledge Agreement or (ii) the validity, priority or perfection of the lien created by the Pledge Agreement fails to be in full force and effect (whether through the unenforceability of the Pledge Agreement or otherwise).

In the case of an Event of Default arising from specific events of bankruptcy or insolvency, with respect to us, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding notes will become due and payable immediately without further action or notice. If any other 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.

Holders of the notes may not enforce the indenture, the notes or the Pledge Agreement except as provided in the indenture or the Pledge Agreement. Subject to specific 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 trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding the notice is in their interest, except a Default or Event of Default relating to the payment of principal or interest or liquidated damages.

The holders of a majority in aggregate principal amount of the notes then outstanding by notice to the trustee may on behalf of the holders of all of the notes waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or liquidated damages on, or the principal of, the notes.

In the case of any Event of Default occurring by reason of any willful action or inaction taken or not taken by us or on our behalf with the intention of avoiding payment of the premium that we would have had to pay if we then had elected to redeem the notes pursuant to the optional redemption provisions of the indenture, an equivalent premium will also become and be immediately due and payable to the extent permitted by law upon the acceleration of the notes. If an Event of Default occurs prior to December 15, 2005, by reason of any willful action (or inaction) taken (or not taken) by us or on our behalf with the intention of avoiding the prohibition on redemption of the notes prior to December 15, 2005, then the

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premium specified in the indenture will also become immediately due and payable to the extent permitted by law upon the acceleration of the notes.

We are required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, we are required to deliver to the trustee a statement specifying the Default or Event of Default.

NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS

No director, officer, employee, incorporator or stockholder of ours, as such, will have any liability for any of our obligations of under the notes or the indenture, or for any claim based on, in respect of, or by reason of, the obligations or their creation. Each holder of notes by accepting a note waives and releases all of that liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

We may, at our option and at any time, elect to have all of our obligations discharged with respect to the outstanding notes ("Legal Defeasance") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, or interest or premium and liquidated damages, if any, on those notes when those payments are due from the trust referred to below;

(2) our obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and our obligations in connection therewith; and

(4) the Legal Defeasance provisions of the indenture.

In addition, we may, at our option and at any time, elect to have our obligations released with respect to specific covenants that are described in the indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, specific events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under " -- Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) we must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and liquidated damages, if any, on the outstanding notes on the stated maturity or on the applicable redemption date, as the case may be, and we must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, we have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) we have received from, or there has been published by, the Internal Revenue Service a ruling or (b) since December 13, 2001, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon that opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of the Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Legal Defeasance had not occurred;

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(3) in the case of Covenant Defeasance, we have delivered to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for federal income tax purposes as a result of the Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to the deposit);

(5) the Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the indenture) to which we or any of our Subsidiaries is a party or by which we or any of our Subsidiaries is bound;

(6) we must deliver to the trustee an officers' certificate stating that the deposit was not made by us with the intent of preferring the holders of notes over the other creditors of ours with the intent of defeating, hindering, delaying or defrauding our creditors or others; and

(7) we must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

AMENDMENT, SUPPLEMENT AND WAIVER

Except as provided in the next two succeeding paragraphs, the indenture, the notes or the Pledge Agreement may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing default or compliance with any provision of the indenture, the notes or the Pledge Agreement may be waived with the consent of the holders of a majority in principal amount of the then outstanding notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "-- Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest on any note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or liquidated damages, if any, on the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the notes and a waiver of the payment default that resulted from the acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of, or interest or premium or liquidated damages, if any, on the notes;

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(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "-- Repurchase at the Option of Holders"); or

(8) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of notes, we and the trustee may amend or supplement the indenture, the notes or the Pledge Agreement:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of our obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of our assets;

(4) to make any change that would provide any additional rights or benefits to the holders of notes (including the provision of any liens for the benefit of holders as contemplated under "-- Certain Covenants -- Liens") or that does not adversely affect the legal rights under the indenture of any of those holders;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of the indenture under the Trust Indenture Act; or

(6) to provide for the issuance of additional notes in accordance with the limitations set forth in the indenture.

SATISFACTION AND DISCHARGE

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to us, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and we have irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the notes not delivered to the trustee for cancellation for principal, premium and liquidated damages, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which we are a party or by which we are bound;

(3) we have paid or caused to be paid all sums payable by us under the indenture; and

(4) we have delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be. In addition, we must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

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CONCERNING THE TRUSTEE

If the trustee becomes a creditor of ours, the indenture limits its right to obtain payment of claims in specific cases, or to realize on specific property received in respect of any of these claims as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate the conflict within 90 days, apply to the Commission for permission to continue or resign.

The holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to specific exceptions. The indenture provides that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to these provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless the holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the indenture and registration rights agreement without charge by writing to International Specialty Products Inc., 1361 Alps Road, Wayne, New Jersey 07470, Attention:
General Counsel.

CERTAIN DEFINITIONS

Set forth below are some of the defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all of these terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified person:

(1) Indebtedness of any other person existing at the time the other person is merged with or into or became a Subsidiary of the specified person, whether or not the Indebtedness is incurred in connection with, or in contemplation of, the other person merging with or into, or becoming a Subsidiary of, the specified person; and

(2) Indebtedness secured by a lien encumbering any asset acquired by the specified person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights, other than sales of inventory in the ordinary course of business consistent with past practices; provided that the sale, conveyance or other disposition of all or substantially all of our assets and the assets of our Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "-- Repurchase at the Option of Holders -- Change of Control" and/or the provisions described above under the caption "-- Certain Covenants -- Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant; and

(2) the issuance of Equity Interests in our Subsidiaries or the sale of Equity Interests in any of our Subsidiaries.

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Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) a transfer of assets between or among us and our Restricted Subsidiaries;

(2) an issuance of Equity Interests by a Subsidiary to us or to a Restricted Subsidiary of ours;

(3) the sale of inventory in the ordinary course of business on ordinary business terms;

(4) the sale or other disposition of cash or Cash Equivalents;

(5) the sale or other disposition of obsolete equipment;

(6) the sale of accounts receivable pursuant to a Qualified Securitization Program;

(7) the sale or other disposition for consideration not to exceed $20.0 million of real property currently owned by us or our Subsidiaries located in Belleville, New Jersey and Linden, New Jersey;

(8) the sale or other disposition for consideration not to exceed $25.0 million of the capital stock or assets of a Foreign Subsidiary of ours acquired from a fine chemicals research and development company; and

(9) a Restricted Payment or Permitted Investment that is permitted by the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in the sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. The present value shall be calculated using a discount rate equal to the rate of interest implicit in the transaction, determined in accordance with GAAP.

"Beneficial Owner" has the meaning assigned to that term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13d-3 of the Exchange Act), that "person" will be deemed to have beneficial ownership of all securities that the "person" has the right to acquire by conversion or exercise of other securities, whether that right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of the Person serving a similar function.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

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(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition;

(3) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated as least P-1 by Moody's Investors Services, Inc. or at least A-1 by Standard & Poor's Ratings Services and in each case maturing within six months after the date of acquisition; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"Change of Control" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than Samuel J. Heyman or any Related Party;

(2) the adoption of a plan relating to our liquidation or dissolution;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than Samuel J. Heyman and his Related Parties, becomes the Beneficial Owner of more of our Voting Stock, measured by voting power rather than number of shares, than Mr. Heyman and his Related Parties;

(4) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that Mr. Heyman and his Related Parties are the Beneficial Owners of less than 25% of our Voting Stock, measured by voting power rather than number of shares, and any "person" (as defined above), other than Mr. Heyman and his Related Parties, Beneficially Owns more than one-half of our Voting Stock, measured by voting power rather than number of shares, owned by Mr. Heyman and his Related Parties;

(5) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that Mr. Heyman and his Related Parties are the Beneficial Owners of less than 10% of our Voting Stock, measured by voting power rather than number of shares; or

(6) the first day on which a majority of the members of our Board of Directors are not Continuing Directors.

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"Consolidated Cash Flow" means, with respect to any specified Person for any period, the Consolidated Net Income of that Person for the period plus:

(1) provision for taxes based on income or profits of the Person and its Restricted Subsidiaries for that period, to the extent that the provision for taxes was deducted in computing the Consolidated Net Income; plus

(2) consolidated interest expense of the Person and its Restricted Subsidiaries for the period, whether paid or accrued and whether or not capitalized, including, without limitation,

- amortization of debt issuance costs and original issue discount,

- non-cash interest payments,

- the interest component of any deferred payment obligations,

- the interest component of all payments associated with Capital Lease Obligations,

- imputed interest with respect to Attributable Debt,

- commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and

- net of the effect of all payments made or received pursuant to Hedging Obligations, to the extent that any of those expenses were deducted in computing the Consolidated Net Income; plus

(3) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash items (excluding any of those non-cash items to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of the Person and its Subsidiaries for the period to the extent that the depreciation, amortization and other non-cash items were deducted in computing the Consolidated Net Income; plus

(4) provision for restructuring, staff reductions and impairment loss for the year ended December 31, 2000 of the Person and its Subsidiaries for the period to the extent that the provision was deducted in computing the Consolidated Net Income; minus

(5) non-cash items increasing the Consolidated Net Income for the period, other than the accrual of revenue in the ordinary course of business, in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the Net Income of the Person and its Restricted Subsidiaries for the period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Wholly Owned Restricted Subsidiary of the Person;

(2) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of the acquisition will be excluded; and

(3) the cumulative effect of a change in accounting principles will be excluded.

"Consolidated Net Worth" means, with respect to any specified Person as of any date, the sum of:

(1) the consolidated equity of the common stockholders of the Person and its consolidated Subsidiaries as of that date; plus

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(2) the respective amounts reported on the Person's balance sheet as of the date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless those dividends may be declared and paid only out of net earnings in respect of the year of the declaration and payment, but only to the extent of any cash received by the Person upon issuance of the preferred stock.

"Continuing Directors" means, as of any date of determination, any member of our Board of Directors who:

(1) was a member of the Board of Directors on December 13, 2001; or

(2) was nominated for election or elected to the Board of Directors with the approval of a majority of the Continuing Directors who were members of the Board at the time of the nomination or election.

"Credit Agreement" means the Credit Agreement, dated as of June 27, 2001, as amended by Amendment No. 1 to Credit Agreement, dated as of July 24, 2001, by and among ISP Chemco Inc., ISP Chemicals Inc., ISP Technologies Inc. and ISP Minerals Inc., as borrowers, the guarantors signatory thereto and The Chase Manhattan Bank, as administrative agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require us to repurchase the Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of that Capital Stock provide that we may not repurchase or redeem any Capital Stock pursuant to those provisions unless that repurchase or redemption complies with the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offerings" means (1) issuances and sales of our Equity Interests (other than Disqualified Stock) and (2) contributions of equity to us.

"Existing Indebtedness" means Indebtedness of us and our Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on December 13, 2001, until those amounts are repaid.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of the Person and its Restricted Subsidiaries for the period, whether paid or accrued, including, without limitation, to the extent included in consolidated interest expense in accordance with GAAP, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations; plus

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(2) the consolidated interest of the Person and its Restricted Subsidiaries that was capitalized during the period; plus

(3) any interest expense on Indebtedness of another Person that is guaranteed by the Person or one of its Restricted Subsidiaries or secured by a lien on assets of the Person or one of its Restricted Subsidiaries, whether or not the guarantee or lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of the Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in our Equity Interests (other than Disqualified Stock) or to us or a Restricted Subsidiary of ours, times
(b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of the Person and its Restricted Subsidiaries for the period to the Fixed Charges of the Person for the period.

If the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to that incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or that issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to that reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for that reference period will be calculated on a pro forma basis in accordance with Regulation S-X under the Securities Act, but without giving effect to clause (3) of the proviso set forth in the definition of Consolidated Net Income;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to the Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date.

"Foreign Subsidiary" means any Subsidiary of any ours formed under the laws of any jurisdiction other than the United States or any political subdivision thereof and substantially all of the assets of which are located outside of the United States or that conducts substantially all of its business outside of the United States.

"GAAP" means generally accepted 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 or in the other statements

by any other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

"Hedging Obligations" means, with respect to any specified Person, the obligations of the Person under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; and

(2) other agreements or arrangements designed to protect the Person against fluctuations in interest rates.

"Indebtedness" means, with respect to any specified Person, any indebtedness of that Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds (excluding appeal bonds), notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any balance that constitutes an accrued expense or trade payable; or

(6) representing any Hedging Obligations, if and to the extent any of the preceding items (other than letters of credit) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a lien on any asset of the specified Person (whether or not the Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount of the Indebtedness, together with any interest on the Indebtedness that is more than 30 days past due, in the case of any other Indebtedness.

"Investments" means, with respect to any Person, all direct or indirect investments by the Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If we or any of our Subsidiaries sells or otherwise disposes of any Equity Interests of any of our direct or indirect Subsidiaries such that, after giving effect to the sale or disposition, the Person is no longer a Subsidiary of ours, we will be deemed to have made an Investment on the date of the sale or disposition equal to the fair market value of the Equity Interests of the Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "-- Certain Covenants -- Restricted Payments." The acquisition by us or any of our Subsidiaries of a Person that holds an Investment in a third Person will be deemed to be an Investment by us or the Subsidiary in the third Person in an amount equal to the fair market value of the Investment held by the acquired Person in the third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "-- Certain Covenants -- Restricted Payments."

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"Net Income" means, with respect to any specified Person, the net income (loss) of that Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain or loss, together with any related provision for taxes on the gain or loss, realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by that Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of that Person or any of its Restricted Subsidiaries;

(2) any extraordinary gain or loss, together with any related provision for taxes on the extraordinary gain or loss;

(3) any non-recurring gain or loss, together with any related provision for taxes on the non-recurring gain or loss, relating to the Restructuring; and

(4) any one-time effect of the adoption of the Proposed Statement of Financial Accounting Standards of the Financial Accounting Standards Board entitled Business Combinations and Intangible Assets -- Accounting for Goodwill.

"Net Proceeds" means the aggregate cash proceeds received by us or any of our Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to the Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness secured by a lien on the asset or assets that were the subject of the Asset Sale and any reserve for adjustment in respect of the sale price of the asset or assets established in accordance with GAAP.

"Net Tangible Assets" means, with respect to any Person as of any date of determination, (a) the amount of property, plant and equipment of the Person and its Restricted Subsidiaries, plus (b) the amount of current assets of the Person and its Restricted Subsidiaries, minus (c) the amount of current liabilities of the Person and its Restricted Subsidiaries, in each case as set forth on the Person's consolidated balance sheet prepared in accordance with GAAP as of the date of determination.

"Non-Recourse Debt" means Indebtedness:

(1) as to which neither we nor any of our Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender; and

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the notes) of ours or any of our Restricted Subsidiaries to declare a default on the other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its stated maturity.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Permitted Business" means any business in which we and our Restricted Subsidiaries were engaged on December 13, 2001, and any business reasonably related or complementary thereto, including without limitation, our activities as a holding company.

"Permitted Investments" means:

(1) any Investment in us or in any of our Restricted Subsidiaries;

(2) any Investment in Cash Equivalents;

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(3) any Investment existing on December 13, 2001;

(4) any Investment by us or any Subsidiary of ours in a Person, if as a result of the Investment:

(a) the Person becomes a Restricted Subsidiary of ours; or

(b) the Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, us or a Restricted Subsidiary of ours;

(5) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "-- Repurchase at the Option of Holders -- Asset Sales," other than securities, notes or other obligations that are deemed to be cash pursuant to clause (3)(b) of the first paragraph of the covenant unless actually converted into cash;

(6) any acquisition of assets solely in exchange for the issuance of our Equity Interests (other than Disqualified Stock);

(7) any Investments received in compromise of obligations of persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(8) Hedging Obligations; and

(9) other Investments in any Person (other than an Affiliate of ours that is not also a Subsidiary of ours) having an aggregate fair market value (measured on the date each Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (9) since December 13, 2001, not to exceed the greater of (a) $35.0 million and
(b) 5.0% of our Net Tangible Assets as of the date on which Investment is made.

For the avoidance of doubt, a loan to a Person that is not a Restricted Subsidiary of ours shall not, except to the extent permitted by clause (9) above, be a Permitted Investment.

"Permitted Liens" means:

(1) Liens on our assets created by the indenture and the Pledge Agreement securing the notes and any additional notes issued in accordance with the terms of the indenture;

(2) Liens in favor of us;

(3) Liens on property of a Person existing at the time the Person is merged with or into or consolidated with us; provided that the liens were in existence prior to the contemplation of the merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with us;

(4) Liens on property existing at the time of acquisition of the property by us; provided that the liens were in existence prior to the contemplation of the acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with the Indebtedness;

(7) Liens existing on December 13, 2001;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and

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diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens on our assets to secure Indebtedness permitted by clause (5) of the second paragraph of the covenant entitled "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock" to the extent (and only to the extent) that the Indebtedness being refinanced thereby was secured by liens on those assets;

(10) 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 those liens are required from customers generally (regardless of creditworthiness) in accordance with customary market practice; and

(11) Liens with respect to obligations that do not exceed $50.0 million at any one time outstanding.

"Permitted Refinancing Indebtedness" means any of our Indebtedness or Indebtedness of any of our Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of ours or any of our Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of the Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);

(2) the Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the notes, the Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the notes on terms at least as favorable to the Holders of notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) the Indebtedness is incurred either by us or by the Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Qualified Securitization Program" means any financing transaction (a) provided by one or more persons, none of which is our Affiliate, (b) in favor of an accounts receivable financing subsidiary, (c) secured by the grant by the accounts receivable financing subsidiary of a security interest in (or a sale of) only accounts receivable originated by us and our Restricted Subsidiaries in connection with the sale or lease of inventory or the rendering of services in the ordinary course of business and the proceeds thereof and (d) for which no recourse to us, our Restricted Subsidiaries or the accounts receivable financing subsidiary may be made other than (i) with respect to us or any of our Restricted Subsidiaries that sell accounts receivable to the accounts receivable financing subsidiary in connection with the transaction, and the accounts receivable financing subsidiary, (A) repurchases of accounts receivable that do not qualify for financing under terms of the transaction, (B) the amount of any dilutions in respect of those accounts receivable and (C) customary indemnities for financing transactions of that type and (ii) solely with respect to the accounts receivable financing subsidiary, those accounts receivable and the proceeds thereof; provided, however, that, in any case, no recourse to us or our Restricted Subsidiaries or the accounts receivable financing subsidiary shall be permitted to be made for any credit-related default or loss with respect to any account receivable.

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"Related Party" means, with respect to Samuel J. Heyman:

(1) any immediate family member of Mr. Heyman; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of Mr. Heyman and immediate family members of Mr. Heyman.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as that Regulation is in effect on the date hereof.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing the Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is the Person or a Subsidiary of the Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Tax Sharing Agreements" means the Tax Sharing Agreement made as of January 1, 2001 by and among us, ISP and ISP Chemco Inc. and the Tax Sharing Agreement made as of January 1, 2001 by and between us and ISP.

"Threshold Amount" means, with respect to any fiscal year of ours commencing with the fiscal year in which the notes are issued, the sum of (A) $15.0 million plus (B) with respect to each fiscal year commencing with the year ending December 31, 2002, any Threshold Amount attributable to any prior fiscal year that has not been applied to reduce the amount of Asset Sale Proceeds that constitute Excess Proceeds pursuant to the provisions described under "-- Repurchase at the Option of Holders -- Asset Sales"; provided, however, that at the time as the Threshold Amount has been applied to reduce the amount of Asset Sale Proceeds that constitute Excess Proceeds by $75.0 million, the Threshold Amount shall thereafter be zero.

"Unrestricted Subsidiary" means (A) ISP Investco LLC and its Subsidiaries; (B) all of our Subsidiaries that have been designated as of December 13, 2001 as "unrestricted subsidiaries" under the indenture governing the 2011 Notes and (C) any other Subsidiary of ours that is designated by our Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that the Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with us or any Restricted Subsidiary of ours unless the terms of the agreement, contract, arrangement or understanding are no less favorable to us or the Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of ours;

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(3) is a Person with respect to which neither we nor any of our Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve the Person's financial condition or to cause the Person to achieve any specified levels of operating results;

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of ours or any of our Restricted Subsidiaries; and

(5) has at least one director on its Board of Directors that is not a director of ours or any of our Restricted Subsidiaries.

Any designation of a Subsidiary of ours as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of the Board Resolution giving effect to the designation and an officers' certificate certifying that the designation complied with the preceding conditions and was permitted by the covenant described above under the caption "-- Certain Covenants -- Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of the Subsidiary will be deemed to be incurred by a Restricted Subsidiary of ours as of that date and, if the Indebtedness is not permitted to be incurred as of that date under the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," we will be in default of the covenant. Our Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that the designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of ours of any outstanding Indebtedness of the Unrestricted Subsidiary and the designation will only be permitted if (1) the Indebtedness is permitted under the covenant described under the caption "-- Certain Covenants -- Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if the designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following the designation.

"Voting Stock" of any Person as of any date means the Capital Stock of the Person that is at the time entitled to vote in the election of the Board of Directors of the Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between the date and the making of the payment; by

(2) the then outstanding principal amount of the Indebtedness.

"Wholly Owned Restricted Subsidiary" of any specified Person means a Restricted Subsidiary of the Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) will at the time be owned by the Person or by one or more Wholly Owned Restricted Subsidiaries of the Person and one or more Wholly Owned Restricted Subsidiaries of the Person.

FORM OF REGISTERED NOTES

The certificates representing the registered notes will be issued in fully registered form, without coupons. Except as described in the next paragraph, the registered notes will be deposited with, or on behalf of, DTC, and registered in the name of Cede & Co., as DTC's nominee, in the form of a global note. Holders of the registered notes will own book-entry interests in the global note evidenced by records maintained by DTC.

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Book-entry interests may be exchanged for certificated notes of like tenor and equal aggregate principal amount, if

- DTC notifies us that it is unwilling or unable to continue as depositary or we determine that DTC is unable to continue as depositary and we fail to appoint a successor depositary within 90 days,

- we provide for the exchange pursuant to the terms of the indenture, or

- we determine that the book-entry interests will no longer be represented by global notes and we execute and deliver to the trustee instructions to that effect.

As of the date of this prospectus, no certificated notes are issued and outstanding.

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FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax considerations relating to the exchange of old notes for registered notes in the exchange offer. It does not contain a complete analysis of all the potential related tax considerations. This summary is limited to holders of old notes who hold the old notes as "capital assets" (in general, assets held for investment). Special situations, such as the following, are not addressed:

- tax consequences to holders who may be subject to special tax treatment, such as tax-exempt entities, dealers in securities or currencies, financial institutions, insurance companies, regulated investment companies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings or corporations that accumulate earnings to avoid U.S. federal income tax;

- tax consequences to persons holding notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle or other risk reduction transaction;

- tax consequences to holders whose "functional currency" is not the U.S. dollar;

- tax consequences to persons who hold notes through a partnership or similar pass-through entity;

- tax consequences to holders who have ceased to be United States citizens or to be taxed as resident aliens;

- federal, gift, estate or alternative minimum tax consequences, if any; or

- any state, local or foreign tax consequences.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations promulgated thereunder, and rulings, judicial decisions and administrative interpretations thereunder, as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

CONSEQUENCES OF TENDERING NOTES

The exchange of your old notes for registered notes in the exchange offer will not constitute an exchange for federal income tax purposes and, accordingly, there will be no federal income tax consequences to you if you exchange your old notes for registered notes. For example, there would be no change in your tax basis and your holding period would carry over to the registered notes. In addition, the federal income tax consequences of holding and disposing of your registered notes will be the same as those applicable to your old notes.

EACH INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES TO IT OF EXCHANGING OLD NOTES FOR REGISTERED NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

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PLAN OF DISTRIBUTION

Each broker-dealer that receives registered notes in the exchange offer for its own account must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of those notes. We reserve the right in our sole discretion to purchase or make offers for, or to offer registered notes for, any old notes that remain outstanding subsequent to the expiration of the exchange offer pursuant to this prospectus or otherwise and, to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions or otherwise. 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 registered notes received in the exchange offer, where those notes were acquired as a result of market-making activities or other trading activities and may be used by us to purchase any notes outstanding after expiration of the exchange offer. We have agreed that, for a period of 180 days after the expiration of the exchange offer, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

We will not receive any proceeds from any sale of registered notes by broker-dealers. Notes received by broker-dealers in the exchange offer for their own account 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 registered notes or a combination of methods of resale, at market prices prevailing at the time of resale, at prices related to those 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 of those registered notes. Any broker-dealer that resells registered notes that were received by it in the exchange offer for its own account and any broker or dealer that participates in a distribution of those notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of those notes and any commissions or concessions received by any of those 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 of the exchange offer, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests those documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer, including the reasonable fees and expenses of counsel to the initial purchaser of the old notes, other than commissions or concessions of any brokers or dealers and will indemnify holders of the notes, including any broker-dealers, against specific liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the issuance of the registered notes will be passed upon for us by Weil, Gotshal & Manges LLP, New York, New York. Weil, Gotshal & Manges LLP has from time to time represented, and may continue to represent, International Specialty Holdings Inc. and some of its affiliates (including ISP, G-I Holdings Inc. and Building Materials Corporation of America) in connection with specific legal matters.

EXPERTS

The consolidated balance sheets of International Specialty Holdings Inc. as of December 31, 2000 and 2001 and the consolidated statements of income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2001 have been audited by Arthur Andersen LLP, independent public accountants, as stated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To International Specialty Holdings Inc.:

We have audited the accompanying consolidated balance sheets of International Specialty Holdings Inc. (a Delaware corporation) and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above, appearing on pages F-3 to F-41 of this Prospectus, present fairly, in all material respects, the financial position of International Specialty Holdings Inc. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule appearing on page S-1 of this Prospectus 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.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
February 27, 2002

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INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Net sales	$ 787,356	$ 783,941	$ 787,216	$ 203,197	$ 219,124
Cost of products sold	(482,397)	(514,599)	(500,837)	(133,263)	(145,377)
Selling, general and administrative	(150,368)	(156,571)	(158,132)	(39,851)	(42,381)
(Provision) benefit for restructuring	(410)	(14,429)	471	--	--
Gain on contract termination	--	--	--	--	2,832
Gain on insurance settlement	--	--	1,600	--	--
Gain on sale of assets	8,541	--	--	--	--
Amortization of goodwill and intangibles	(16,195)	(16,042)	(17,080)	(4,010)	(402)
Operating income	146,527	82,300	113,238	26,073	33,796
Interest expense	(80,666)	(84,250)	(88,931)	(17,232)	(22,842)
Investment income (loss), net of investment-related expenses of $6,079, $10,752, $6,903, $1,031 and $1,140, respectively	4,105	144,356	(2,461)	33,008	15,154
Gain on contract and insurance settlements	--	6,106	--	--	--
Other expense, net	(7,008)	(18,398)	(16,061)	(6,178)	(1,956)
Income from continuing operations before income taxes	62,958	130,114	5,785	35,671	24,152
Income taxes	(22,094)	(45,673)	(2,053)	(12,518)	(8,199)
Income from continuing operations	40,864	84,441	3,732	23,153	15,953
Discontinued operation:					
Income from discontinued operation, net of income taxes	1,769	--	--	--	--
Gain on sale of discontinued operation, net of income taxes of $12,725	23,529	--	--	--	--
Income from discontinued operation	25,298	--	--	--	--
Income before extraordinary item and cumulative effect of change in accounting principle	66,162	84,441	3,732	23,153	15,953
Extraordinary item -- loss on early retirement of debt, net of income tax benefit of $2,434	--	--	--	--	(4,725)
Cumulative effect of change in accounting principle, net of income tax benefit of $216	--	--	(440)	(440)	--
Net income	$ 66,162	$ 84,441	$ 3,292	$ 22,713	$ 11,228

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

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INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2000	DECEMBER 31, 2001	MARCH 31, 2002 (UNAUDITED)
		(THOUSANDS)	
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 14,763	$ 77,863	$ 220,417
Investments in trading securities	279,381	54,504	50,020
Investments in available-for-sale securities	222,444	231,976	137,741
Other short-term investments	18,893	2,299	2,312
Restricted cash	--	307,866	--
Accounts receivable, trade, less reserve of $4,911, $5,472 and $5,399	89,173	86,574	98,039
Accounts receivable, other	19,618	20,357	19,783
Income taxes receivable	--	3,778	1,986
Receivable from related parties, net	14,410	--	--
Inventories	150,948	190,582	170,825
Deferred income tax assets	29,394	32,929	33,688
Other current assets	7,543	8,635	8,326
Total Current Assets	846,567	1,017,363	743,137
Property, plant and equipment, net	558,688	556,959	551,901
Goodwill, net of accumulated amortization of $163,989, $180,486 and $180,486	489,032	497,402	497,402
Long-term loan receivable from parent company	1,085	--	--
Intangible assets	--	15,167	14,765
Other assets	28,170	62,481	60,731
Total Assets	$1,923,542	$2,149,372	$1,867,936
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current Liabilities:			
Short-term debt	$ 143,682	$ 143	$ 83
Current maturities of long-term debt	224,419	310,265	2,360
Loan payable to parent company	25,000	--	--
Accounts payable	56,891	49,088	46,823
Accrued liabilities	77,651	97,659	84,206
Payable to related parties, net	--	19,614	23,322
Income taxes	8,036	--	--
Total Current Liabilities	535,679	476,769	156,794
Long-term debt less current maturities	524,878	919,557	911,190
Long-term note payable to parent company	50,000	--	--
Deferred income taxes	170,341	117,748	134,397
Other liabilities	61,731	72,709	70,975
Commitments and Contingencies			
Shareholder's Equity:			
Common stock, $.001 par value per share; 1,000 shares issued and outstanding	--	--	--
Additional paid-in capital	568,912	646,342	641,236
Accumulated deficit	--	(22,651)	(11,423)
Accumulated other comprehensive income (loss)	12,001	(61,102)	(35,233)
Total Shareholder's Equity	580,913	562,589	594,580
Total Liabilities and Shareholder's Equity	$1,923,542	$2,149,372	$1,867,936

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

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INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Cash and cash equivalents, beginning of period	$ 22,258	$ 21,324	$ 14,763	$ 14,763	$ 77,863
Cash provided by (used in) operating activities:					
Net income	66,162	84,441	3,292	22,713	11,228
Adjustments to reconcile net income to net cash provided by operating activities:					
Extraordinary item	--	--	--	--	4,725
Cumulative effect of change in accounting principle	--	--	440	440	--
Income from discontinued operation	(25,298)	--	--	--	--
Gain on sale of assets	(8,541)	--	--	--	--
Provision (benefit) for restructuring	410	14,429	(471)	--	--
Depreciation	48,191	50,894	52,721	12,859	13,631
Amortization of goodwill and intangibles	16,195	16,042	17,080	4,010	402
Deferred income taxes	27,065	12,053	(17,255)	4,051	4,467
Unrealized (gains) losses on securities and other short-term investments	(267)	(5,220)	43,452	(23,422)	(9,162)
(Increase) decrease in working capital items	(23,933)	8,685	(41,040)	(13,516)	(6,479)
Purchases of trading securities	(134,552)	(442,895)	(421,942)	(90,842)	(154,685)
Proceeds from sales of trading securities	147,386	292,339	594,533	90,113	166,999
Proceeds (repayments) from sale of accounts receivable	5,558	(2,485)	(423)	1,475	1,410
(Increase) decrease in other assets	(506)	5,728	(2,310)	2,470	(552)
Increase (decrease) in other liabilities	502	677	(1,489)	549	(1,695)
Other decreases in property, plant and equipment	5,874	10,458	6,723	2,432	205
Change in receivable from/payable to related parties	5,474	6,240	34,024	(4,572)	3,708
Change in cumulative translation adjustment	(18,034)	(8,268)	(5,180)	(4,557)	78
Other, net	(946)	2,964	2,203	323	1,405
Net cash provided by continuing operations	110,740	46,082	264,358	4,526	35,685
Net cash provided by discontinued operation	5,293	--	--	--	--
Net cash provided by operating activities	116,033	46,082	264,358	4,526	35,685
Cash provided by (used in) investing activities:					
Capital expenditures and acquisitions	(108,926)	(58,382)	(101,375)	(9,872)	(8,778)
Proceeds from sale of assets	11,533	--	--	--	--
Proceeds from sale of discontinued operation	62,000	--	--	--	--
Purchases of available-for-sale securities	(275,271)	(430,789)	(300,085)	(36,387)	(65,012)
Purchases of held-to-maturity securities	(2,870)	--	--	--	--
Purchases of other short-term investments	(5,600)	--	--	--	--
Proceeds from sales of available-for-sale securities	255,749	437,978	201,042	12,288	199,995
Proceeds from held-to-maturity securities	12,633	--	--	--	--
Proceeds from sales of other short-term investments	14,716	--	12,529	--	--
Net cash provided by (used in) investing activities	(36,036)	(51,193)	(187,889)	(33,971)	126,205
Cash provided by (used in) financing activities:					
Increase (decrease) in short-term debt	(7,849)	70,230	(143,539)	(9,399)	(60)
Proceeds from issuance of debt	--	--	828,332	--	--
Increase (decrease) in borrowings under revolving credit facility	162,400	(99,000)	(100,750)	67,100	(7,850)
Repayments of long-term debt	(200,378)	(10,615)	(245,982)	(28,180)	(308,706)
Call premium on redemption of debt	--	--	--	--	(4,621)
Borrowings (repayments) with parent company	(36,309)	29,550	(73,915)	33,303	--
(Increase) decrease in restricted cash	--	--	(307,866)	--	307,866
Financing fees and expenses	--	--	(20,470)	--	(745)
Dividends and distributions to parent company	(66,162)	(84,441)	(35,000)	(35,581)	(16,850)
Capital contribution from parent company	68,699	92,684	86,317	--	11,687
Net cash provided by (used in) financing activities	(79,599)	(1,592)	(12,873)	27,243	(19,279)

INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
			(THOUSANDS)		
Effect of exchange rate changes on cash	(1,332)	142	(496)	(536)	(57)
Net change in cash and cash equivalents	(934)	(6,561)	63,100	(2,738)	142,554
Cash and cash equivalents, end of period	$ 21,324	$ 14,763	$ 77,863	$ 12,025	$ 220,417
Supplemental Cash Flow Information:					
Effect on cash from (increase) decrease in working capital items*:					
Accounts receivable	$ (17,275)	$ (301)	$ 3,284	$ (6,443)	$ (12,301)
Inventories	7,627	(4,459)	(34,466)	(9,286)	19,757
Other current assets	154	280	(327)	(1,363)	309
Accounts payable	3,497	(6,479)	(8,038)	(1,254)	(2,265)
Accrued liabilities	(1,616)	(2,322)	10,317	(5,196)	(13,456)
Income taxes	(16,320)	21,966	(11,810)	10,026	1,477
Net effect on cash from (increase) decrease in working capital items	$ (23,933)	$ 8,685	$ (41,040)	$(13,516)	$ (6,479)
Cash paid during the period for:					
Interest (net of amount capitalized)	$ 82,960	$ 80,258	$ 70,799	$ 16,141	$ 29,116
Income taxes paid (including taxes paid pursuant to the Tax Sharing Agreement)	20,222	28,696	41,125	5,412	2,000
Acquisition of Kelco Alginates business, net of $269 cash acquired:					
Fair market value of assets acquired	$ 41,619				
Purchase price of acquisition**	39,731				
Liabilities assumed	$ 1,888				
Acquisition of FineTech Ltd.:					
Fair market value of assets acquired			$ 26,575		
Purchase price of acquisition			22,450		
Liabilities assumed			$ 4,125		
Acquisition of industrial biocides business:					
Fair market value of assets acquired			$ 25,879		
Purchase price of acquisition			25,879		
Liabilities assumed			$ --		

* Working capital items exclude cash and cash equivalents, short-term investments, restricted cash, short-term debt and receivables from related parties. 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. In addition, the increase in accounts receivable shown above does not reflect the cash proceeds from the sale of the Company's domestic trade accounts receivable (see Note 12); such proceeds are reflected separately in cash from operating activities.

** The Company received a cash arbitration award in 2000 of $4.9 million which lowered the purchase price of the acquisition to $34.8 million.

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

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INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

	CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	COMPREHENSIVE INCOME (LOSS)
		(THOUSANDS)		
Balance, December 31, 1998	$407,529	$(19,431)	$ --	
Comprehensive income, year ended December 31, 1999:				
Net income	--	--	66,162	$ 66,162
Other comprehensive income, net of tax:				
Unrealized holding gains, net of income taxes of $9,438	--	23,089	--	23,089
Less: Reclassification adjustment for losses included in net income, net of income tax benefit of $656	--	(1,422)	--	(1,422)
Unrealized gains on available-for-sale securities	--	24,511	--	24,511
Translation adjustment	--	(19,366)	--	(19,366)
Less: Reclassification adjustment for translation adjustment included in net income, net of income tax effect of $521	--	(1,483)	--	(1,483)
Net translation adjustment	--	(17,883)	--	(17,883)
Minimum pension liability adjustment	--	4,716	--	4,716
Comprehensive income				$ 77,506
Dividends and distributions to parent company	--	--	(66,162)	
Capital contribution from parent company	68,699	--	--	
Balance, December 31, 1999	$476,228	$ (8,087)	$ --	
Comprehensive income, year ended December 31, 2000:				
Net income	--	--	84,441	$ 84,441
Other comprehensive income, net of tax:				
Unrealized holding gains, net of income taxes of $68,174	--	137,065	--	137,065
Less: Reclassification adjustment for gains included in net income, net of income taxes of $52,364	--	108,851	--	108,851
Unrealized gains on available-for-sale securities	--	28,214	--	28,214
Translation adjustment	--	(8,126)	--	(8,126)
Comprehensive income				$104,529
Dividends and distributions to parent company	--	--	(84,441)	
Capital contribution from parent company	92,684	--	--	

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INTERNATIONAL SPECIALTY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY -- (CONTINUED)

	CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	COMPREHENSIVE INCOME (LOSS)
		(THOUSANDS)		
Balance, December 31, 2000	$568,912	$ 12,001	$ --	
Comprehensive income (loss), year ended December 31, 2001:				
Net income	--	--	3,292	$ 3,292
Other comprehensive income (loss), net of tax:				
Unrealized holding losses, net of income tax benefit of $43,630	--	(81,534)	--	(81,534)
Less: Reclassification adjustment for losses included in net income, net of income tax benefit of $7,687	--	(15,071)	--	(15,071)
Unrealized losses on available-for-sale securities	--	(66,463)	--	(66,463)
Change in unrealized losses on derivative hedging instruments -- cash flow hedges:				
Net derivative losses, net of tax effect of $1,189	--	(2,198)	--	(2,198)
Less: Reclassification adjustment for losses included in net income, net of tax effect of $667	--	(1,234)	--	(1,234)
Unrealized losses on derivative hedging instruments	--	(964)	--	(964)
Translation adjustment	--	(5,676)	--	(5,676)
Comprehensive loss				$(69,811)
Dividends and distributions to parent company	(9,057)	--	(25,943)	
Capital contribution from parent company	86,317	--	--	
Compensation related to ISP restricted stock awards	66	--	--	
Compensation related to ISP stock options issued as incentives	104	--	--	
Balance, December 31, 2001	$646,342	$(61,102)	$(22,651)	
Comprehensive income, three months ended March 31, 2002 (unaudited):				
Net income (unaudited)	--	--	11,228	$ 11,228
Other comprehensive income net of tax:				
Change in unrealized losses on available-for-sale securities:				
Unrealized holding gains, net of income taxes of $16,139 (unaudited)	--	33,753	--	33,753
Less reclassification adjustment for gains included in net income, net of income taxes of $2,185 (unaudited)	--	8,278	--	8,278
Total change for the period (unaudited)	--	25,475	--	25,475
Change in unrealized losses on derivative hedging instruments -- cash flow hedges:				
Net derivative losses, net of income tax benefit of $1 (unaudited)	--	(2)	--	(2)
Less: reclassification adjustment for losses included in net income, net of income tax benefit of $218 (unaudited)	--	(375)	--	(375)
Total change for the period (unaudited)	--	373	--	373
Translation adjustment (unaudited)	--	21	--	21
Comprehensive income (unaudited)				$ 37,097
Capital contribution from parent company (unaudited)	11,687	--	--	
Dividends and distributions to parent company (unaudited)	(16,850)	--	--	
Compensation related to ISP stock options issued				

as incentives (unaudited).....	57	--	--
Balance, March 31, 2002 (unaudited).....	$641,236	$(35,233)	$(11,423)

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

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NOTE 1. FORMATION OF THE COMPANY, MERGER OF INTERNATIONAL SPECIALTY PRODUCTS INC. INTO ISP HOLDINGS INC. AND CORPORATE RESTRUCTURING

On July 15, 1998, International Specialty Products Inc. ("Old ISP") merged (the "Merger") with and into ISP Holdings Inc. ("ISP Holdings"). In connection with the Merger, ISP Holdings changed its name to International Specialty Products Inc. ("ISP"). In the Merger, each outstanding share of Old ISP's common stock, other than those held by ISP Holdings, was converted into one share of common stock of ISP, and the outstanding shares of Old ISP's common stock which were held by ISP Holdings were converted into an aggregate of 53,833,333 shares (or approximately 78%) of the outstanding shares of common stock of ISP.

International Specialty Holdings Inc. (the "Company"), a wholly owned subsidiary of ISP, was formed on June 5, 2001 in connection with the corporate restructuring discussed below. ISP Opco Holdings Inc., which changed its name on June 5, 2001 to ISP Chemco Inc. ("ISP Chemco"), a wholly owned subsidiary of the Company, was formed on June 24, 1998 in connection with the Merger and 100 shares of its common stock were issued to ISP. At the time of the Merger, substantially all of the assets and liabilities of Old ISP were transferred to ISP Chemco. The accompanying Consolidated Financial Statements have been prepared on a basis which retroactively reflects the formation of the Company, as discussed above, for all periods presented. The net income presented up to the date that the Company was formed has been reflected as dividends and/or distributions to ISP.

In connection with the financing transactions discussed in Note 15, ISP completed a corporate restructuring (the "Restructuring") of its business in June 2001 in order to separate its investment assets from its specialty chemicals business. As part of the Restructuring, ISP Chemco transferred net assets of approximately $235.7 million, consisting of all of its investment assets, totaling $336.7 million, associated short-term debt and the outstanding stock of certain subsidiaries to the Company, which, in turn, transferred those assets to its newly formed subsidiary, ISP Investco LLC ("ISP Investco"). After completing these transactions, ISP Chemco's assets consist solely of those related to ISP's specialty chemicals business.

The Company is engaged principally in the manufacture and sale of a wide range of specialty chemicals and mineral products. See Notes 19 and 20 for a description of and financial information relating to the Company's business segments and foreign and domestic operations.

NOTE 2. 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 in conformity with accounting principles generally accepted in the United States 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. 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.

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SHORT-TERM INVESTMENTS

For securities classified as "trading" (including short positions), unrealized gains and losses are reflected in the results of operations. For securities classified as "available-for-sale," unrealized gains and losses, net of income tax effect, are included in a separate component of shareholder's equity, "Accumulated other comprehensive income (loss)," and amounted to $34.0, $(32.4) and $(7.0) million as of December 31, 2000 and 2001, and March 31, 2002, respectively. The Company periodically reviews available-for-sale securities for other than temporary impairment when the cost basis of a security exceeds the market value.

"Other short-term investments" are investments in limited partnerships which are accounted for by the equity method. Gains and losses are reflected in "Other income (expense), net." Liquidation of partnership interests generally require a 30 to 45 day notice period.

Cash and cash equivalents include cash on deposit and debt securities purchased with original maturities of three months or less.

INVENTORIES

Inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is utilized to determine cost for substantially all domestic acetylene-based finished goods and work-in-process and the raw materials to produce these products. All other inventories are valued on the FIFO (first-in, first out) method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. The Company uses an economic life of 10-20 years for land improvements, 40 years for buildings, and 3-20 years for machinery and equipment, which includes furniture and fixtures. Certain interest charges are capitalized during the period of construction as part of the cost of property, plant and equipment. Capitalized interest charges amounted to $1,090,000, $751,000, $355,000, $109,000 and $47,000 for 1999, 2000, 2001 and the first three months of 2001 and 2002, respectively.

FOREIGN EXCHANGE CONTRACTS

The Company enters into forward foreign exchange instruments in order to hedge a portion of both its borrowings denominated in foreign currency and transactions related to the operations of foreign subsidiaries. All forward contracts are reflected on the Company's Consolidated Balance Sheets at their fair market value.

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.

As of December 31, 2000 and 2001, the U.S. dollar equivalent notional value of outstanding forward foreign exchange contracts was $20.9 and $17.7 million, respectively. 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. In addition, the U.S. dollar equivalent notional value of foreign exchange contracts

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outstanding as of December 31, 2000 and 2001, which were entered into as a hedge of intercompany loans, was $17.0 and $17.7 million, respectively, representing 100% of the Company's foreign currency exposure with respect to such loans. As of March 31, 2002, the U.S. dollar equivalent notional value of outstanding forward foreign exchange contracts was $21.8 million. See "Derivatives and Hedging" below.

The Company continually monitors its risk from the effects 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.

DERIVATIVES AND HEDGING

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement.

The Company adopted SFAS No. 133 as of January 1, 2001. Accounting for interest rate swaps and foreign exchange forward contracts held by the Company is affected by implementation of this standard. The earnings impact of the transition adjustments related to the initial adoption of the standard was an after-tax loss of approximately $0.4 million, which was recorded in the first quarter of 2001 as the cumulative effect of a change in accounting principle.

As discussed in Note 15, in June 2001, ISP Chemco Inc. ("ISP Chemco"), a wholly owned subsidiary of the Company, entered into $450.0 million of Senior Credit Facilities, which include a $225.0 million term loan. The Company has designated interest rate swaps, with a total notional amount of $100 million, as a hedge of its exposure to changes in the eurodollar rate under the term loan. The interest rate swaps are structured to receive interest based on the eurodollar rate and pay interest on a fixed rate basis. A cash flow hedging relationship has been established whereby the interest rate swaps hedge the risk of changes in the eurodollar rate related to borrowings against the term loan. The interest rate swaps hedge exposure to changes in the eurodollar rate through July 2002.

At March 31, 2002, the fair value of the interest rate swaps was $(2.2) million and is included within "Accrued liabilities" on the Company's Consolidated Balance Sheet. During 2001 and the first three months of 2002, $1.6 and $0.9 million, respectively, related to the interest rate swaps was reclassified and charged against interest expense. In addition, $0.3 million, representing hedge ineffectiveness, was also charged against interest expense in 2001. In the first three months of 2002, interest expense was reduced by $0.3 million due to recovery in hedge ineffectiveness. As of March 31, 2002, included in Accumulated Other Comprehensive Loss is a $0.9 million pre-tax loss related to these interest rate swaps.

Derivatives held by the Company not designated as hedging instruments include total return equity swaps and forward foreign exchange instruments. These derivatives are being marked-to-market each period, with unrealized gains and losses included in results of operations. The total return equity swaps are held for investment income purposes. Foreign exchange forward contracts are held to offset exposure to changes in exchange rates affecting intercompany loans.

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FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign subsidiaries are translated at year-end exchange rates. Income and expenses are translated at average exchange rates prevailing during the year. The effects of these translation adjustments are reported in a separate component of shareholder's equity, "Accumulated other comprehensive income (loss)," and amounted to $(22.0), $(27.7) and $(27.7) million as of December 31, 2000 and 2001, and March 31, 2002, respectively. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, principally related to the revaluation of payables and receivables, are included in "Other expense, net" and amounted to $4.9, $(1.7), $(4.2), $(1.6) and $0.1 million in 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively.

NEW ACCOUNTING STANDARDS

On June 30, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the pooling method of accounting. SFAS No. 141 will not have an impact on the Company's business since the Company has historically accounted for all business combinations using the purchase method of accounting. With the adoption of SFAS No. 142, effective January 1, 2002, goodwill will no longer be subject to amortization over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. Companies must perform a fair-value-based goodwill impairment test. The initial test for impairment, as of January 1, 2002, must be completed by the end of the second quarter of 2002. The Company is currently in the process of this valuation. The Company has retained an outside appraisal firm to assist in the implementation of SFAS No. 142. At this time, the Company has not finalized the allocation of goodwill to its reporting units. Goodwill impairment, if any, has not been determined. This assessment could result in a material future impairment charge. In addition, under SFAS No. 142, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged. Intangible assets will be amortized over their useful lives. On an annualized basis, the Company's net income will increase by approximately $16.5 million, unless any impairment charges are necessary.

GOODWILL

Goodwill, which arose principally from the 1989 management-led buyout of the predecessor company to the Company's former parent company, G-I Holdings, and as a result of the Merger (see Note 1), was being amortized on the straight-line method over a period of approximately 40 years prior to January 1, 2002. However, see the discussion above on the impact of adopting SFAS No. 142.

REVENUE RECOGNITION

For sales of specialty chemicals products in North America, Latin America and in the Asia-Pacific region, revenue is generally recognized at the time products are shipped to the customer. Products are generally shipped Freight on Board, or FOB, shipping point and title passes to the customer at the time of shipment. In Europe, shipments to customers are generally on a delivered duty paid basis. Revenue is therefore recognized and title passes to the customer at the time products are received by the customer. Normal terms for sales of specialty chemicals are 30 days net. There are no special conditions for sales that occur through third party distributors.

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For sales of mineral products, revenue is recognized at the time products are shipped to the customer. Products are shipped FOB shipping point and title passes to the customer at the time of shipment. Normal terms for sales of mineral products include a 1% discount if payment is made not later than the 15th of the month following date of sale.

SHIPPING AND HANDLING COSTS

Shipping and handling costs included in "Selling, general and administrative" expenses amounted to $24.8, $30.3, $29.1, $7.7 and $7.6 million for 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively.

DEBT ISSUANCE COSTS

Debt issuance costs are amortized to expense over the life of the related debt. Unamortized debt issuance costs of $3.8, $21.3 and $19.0 million are included in "Other assets" in the Consolidated Balance Sheets at December 31, 2000 and 2001, and March 31, 2002, respectively.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations as incurred and amounted to $23.0, $25.6, $25.4, $6.2 and $6.7 million for 1999, 2000 and 2001 and the first three months of 2001 and 2002, 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 with respect to such environmental matters, and certain other environmental compliance expenses, as of March 31, 2002, is $24.1 million, before reduction for insurance recoveries reflected on its Consolidated Balance Sheet of $21.7 million. The Company's liability is reflected on an undiscounted basis. The gross environmental liability is included within "Accrued liabilities" and "Other liabilities," and the estimated recoveries are included within "Other assets." See Note 21 for further discussion with respect to environmental liabilities and estimated insurance recoveries.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive Income (Loss) includes net income, unrealized gains and losses from investments in available-for-sale securities, net of income tax effect, unrealized gains and losses from derivative hedging instruments, net of income tax effect, foreign currency translation adjustments, and minimum pension liability adjustments. The Company has chosen to disclose Comprehensive Income (Loss) in the Consolidated Statements of Shareholder's Equity.

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Changes in the components of "Accumulated other comprehensive income (loss)" for the years 1999, 2000 and 2001 and the three months ended March 31, 2002 are as follows:

	UNREALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE SECURITIES	UNREALIZED LOSSES ON DERIVATIVE HEDGING INSTRUMENTS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	MINIMUM PENSION LIABILITY ADJUSTMENT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance, December 31, 1998	$(18,705)	$ --	$ 3,990	$(4,716)	$(19,431)
Change for the year 1999	24,511	--	(17,883)	4,716	11,344
Balance, December 31, 1999	$ 5,806	$ --	$(13,893)	$ --	$ (8,087)
Change for the year 2000	28,214	--	(8,126)	--	20,088
Balance, December 31, 2000	$ 34,020	$ --	$(22,019)	$ --	$ 12,001
Change for the year 2001	(66,463)	(964)	(5,676)	--	(73,103)
Balance, December 31, 2001	$(32,443)	$(964)	$(27,695)	$ --	$(61,102)
Change for the first three months of 2002 (unaudited)	25,475	373	21	--	25,869
Balance, March 31, 2002 (unaudited)	$ (6,968)	$(591)	$(27,674)	$ --	$(35,233)

RECLASSIFICATIONS

Certain amounts in the 1999 and 2000 Consolidated Financial Statements have been reclassified to conform to the 2001 presentation.

NOTE 3. ADOPTION OF SFAS NO. 142

In accordance with the provisions of SFAS No. 142 (see Note 2), goodwill is no longer amortized but will be subject to at least an annual assessment for impairment. Presented below is a reconciliation showing "Income before extraordinary item and cumulative effect of change in accounting principle" and "Net income", as reported in the Consolidated Statements of Income and as adjusted to exclude amortization of goodwill.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Income before extraordinary item and cumulative effect of change in accounting principle, as reported	$66,162	$ 84,441	$ 3,732	$23,153	$15,953
Add back: goodwill amortization	16,195	16,042	16,497	4,010	--
Adjusted income before extraordinary item and cumulative effect of change in accounting principle	$82,357	$100,483	$20,229	$27,163	$15,953
Net income, as reported	$66,162	$ 84,441	$ 3,292	$22,713	$11,228
Add back: goodwill amortization	16,195	16,042	16,497	4,010	--
Adjusted net income	$82,357	$100,483	$19,789	$26,723	$11,228

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NOTE 4. SHORT-TERM INVESTMENTS

At December 31, 1999, the Company held an investment of $144.3 million (based on market value) in Life Technologies, Inc. ("Life Technologies"), a 75%-owned subsidiary of Dexter Corporation ("Dexter"). Such investment represented approximately 14% of the outstanding common stock of Life Technologies at December 31, 1999. At December 31, 1999, the Company also held an investment of $91.4 million (based on market value) in Dexter, representing approximately 10% of the outstanding common stock of Dexter at that date. Dexter and Life Technologies were acquired by Invitrogen Corporation ("Invitrogen") in a merger completed in September 2000. The Company sold its shares of Dexter common stock prior to the merger and also sold all of the Invitrogen common stock that it received in the merger for its Life Technologies shares, resulting in net gains, after expenses, in 2000 of $123.5 million. The total gain related to these investments was approximately $146 million, prior to expenses, of which a total of $16.4 million was recognized in 1998 and 1999.

The total market value of available-for-sale securities at December 31, 2001 and March 31, 2002 was $232.0 and $137.7 million, respectively, consisting of $219.6 and $134.4 million, respectively, of equity securities and $12.4 and $3.3 million, respectively, of debt securities with maturities of between five and ten years. Included in available-for-sale securities at March 31, 2002 is a $131.7 million investment in Hercules Incorporated ("Hercules"). Such investment represented approximately 9.1% of the outstanding common stock of Hercules at December 31, 2001.

Investment income (loss), net, totaled $4.1, $144.4, $(2.5), $33.0 and $15.2 million in 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively. In 2001, investment losses include a write-down to fair value of $27.6 million for certain available-for-sale securities sold shortly after the balance sheet date. The determination of cost in computing realized and unrealized gains and losses is based on the specific identification method.

Investment income (loss) is comprised of the following:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Sales of available-for-sale securities:					
Gross realized gains	$ 13,222	$175,523	$15,390	$ 873	$14,531
Gross realized losses	(13,988)	(14,308)	(10,569)	(66)	(4,068)
Write-down of available-for-sale securities to fair value	--	--	(27,579)	--	--
Realized and unrealized gains (losses), net, on trading securities and other short-term investments	7,508	(10,658)	20,355	30,057	4,269
Interest and dividend income	3,442	4,551	6,845	3,175	1,562
Investment-related expenses	(6,079)	(10,752)	(6,903)	(1,031)	(1,140)
Investment income (loss), net	$ 4,105	$144,356	$(2,461)	$33,008	$15,154

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Included in Accumulated Other Comprehensive Loss at December 31, 2000 and 2001, and March 31, 2002 are unrealized gains and losses on available-for-sale securities, as follows:

	DECEMBER 31,		MARCH 31,
	2000	2001	2002 (UNAUDITED)
	(THOUSANDS)		
Equity securities:			
Equity securities with net gains	$ 52,045	$ 44	$ 6
Equity securities with net losses	--	(50,940)	(10,849)
Total equity securities	52,045	(50,896)	(10,843)
Corporate debt securities with net gains	373	908	284
Total unrealized pre-tax gains (losses)	52,418	(49,988)	(10,559)
Tax effect	(18,398)	17,545	3,591
Unrealized gains (losses) on available-for-sale securities	$ 34,020	$(32,443)	$ (6,968)

As of December 31, 2000 and 2001 and March 31, 2002, the market value of the Company's equity securities held long was $466.1, $288.7, and $187.5 million, respectively, and the Company had $223.8, $57.5 and $72.8 million, respectively, of short positions in common stocks, based on market value. The Company enters into equity-related financial instruments as a means to manage its exposure to market fluctuations on its short-term investments. As of December 31, 2000 and 2001, and March 31, 2002, the value of equity-related long contracts was $30.2, $12.7 and $0.9 million, respectively, and the value of equity-related short contracts was $0, $7.2 and $3.9 million, respectively. These contracts are marked-to-market each month, with unrealized gains and losses included in the results of operations. The unrealized gain on equity-related long contracts at December 31, 2001 and March 31, 2002 was $243,000 and $61,000, respectively, and the unrealized gain (loss) on equity-related short contracts was $45,000 and $(94,000), respectively. The market values referred to above are 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 enters into equity-related financial instruments, including total return equity swaps, as a means to manage its exposure to market fluctuations on its short term investments and to achieve its stated investment strategy. These contracts are subject to strict internal controls, including maximum exposure levels and counterparty risk. The counterparties to these contracts are major financial institutions with high credit standings. The Company controls risk through credit approvals, limits and monitoring procedures. The Company does not anticipate nonperformance by counterparties to these contracts. With respect to such contracts, the Company is exposed to the risk of market loss.

NOTE 5. (PROVISION) BENEFIT FOR RESTRUCTURING

In January 1999, the Company announced a restructuring program that included the shutdown of its butanediol production unit at its Calvert City, Kentucky manufacturing facility, the write-down to fair value of the butanediol production assets at its Texas City and Seadrift, Texas manufacturing facilities, the write-off of fixed asset costs related to a terminated European expansion project and the consolidation of offices in its European operations. Accordingly, the Company recorded a one-time provision for restructuring and impairment loss against operating income in 1998 totaling $73.0 million.

In 1999, the Company reversed $1.9 million of such previously recorded restructuring reserves, representing an excess demolition reserve of $0.8 million and $1.1 million of other reserves, mainly for raw material contract terminations, which were no longer required. This program was completed in the third quarter of 2000. In the third quarter of 1999, the Company implemented a staff reduction program

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impacting corporate and worldwide executive and administrative staff positions. As a result, a total of 79 positions were eliminated in 1999 through normal attrition or termination, for which the Company recorded a pre-tax provision for severance of $2.3 million. This program was completed in the second quarter of 2000.

As part of the 1998 restructuring program, the Company wrote down to fair value the butanediol production assets at its Texas City and Seadrift, Texas manufacturing facilities. In December 2000, the Company shut down production at the Seadrift facility and shut down production of butanediol at the Texas City facility in the first quarter of 2001. Accordingly, the Company recorded a one-time restructuring charge against operating income in 2000 of $2.5 million, as detailed below. Also, in connection with the relocation of certain of the Company's production lines for personal care products to the Company's Freetown, Massachusetts facility, the Company shut down its manufacturing operation in Belleville, New Jersey in the first quarter of 2001. Accordingly, the Company recorded a restructuring charge against operating income in 2000 of $11.9 million, as detailed below.

The components of the $14.4 million provision for restructuring in 2000 are as follows:

	BELLEVILLE	TEXAS CITY/ SEADRIFT
	(MILLIONS)	
Write-off of production assets	$10.4	$0.4
Accrual for severance costs	0.9	0.7
Accrual for decommissioning and remediation	--	1.4
Accrual for other related costs	0.6	--
Total provision	$11.9	$2.5

Of the total $14.4 million restructuring provision, $3.6 million represented cash costs to be incurred, including severance costs of $0.9 million for 33 plant management, supervisors and operators to be terminated at the Belleville plant and severance costs of $0.7 million for 10 supervisors and operators at the Texas City and Seadrift plants. As a result of the write-off of property, plant and equipment, the Company's depreciation expense was lowered by approximately $1.4 million per year.

In 2001, $1.1 million of costs were charged against the Belleville reserve and $0.4 million of this reserve was reversed, representing an excess severance reserve and reserve for other related costs. This program was completed in the fourth quarter of 2001. In 2001, $2.0 million of costs were charged against the Texas City/Seadrift reserve and $0.1 million of this reserve was reversed, representing an excess severance reserve. This program was completed in the fourth quarter of 2001.

NOTE 6. GAINS ON CONTRACT AND INSURANCE SETTLEMENTS AND CONTRACT TERMINATION

In the first quarter of 2000, the Company received $3.5 million from the settlement of a pre-1997 contract termination dispute relating to the Company's Mineral Products segment. In the fourth quarter of 2000, the Company received a $2.6 million insurance settlement related to environmental insurance litigation. In 2001, the Company recorded a $1.6 million gain for an anticipated receipt of an insurance settlement related to an industrial accident in 2001 at one of the Company's manufacturing facilities.

In December 2001, ISP entered into a letter agreement to sell its pharmaceutical fine chemicals business, including its Haifa, Israel-based FineTech Ltd. business and its Columbus, Ohio manufacturing facility to Pharmaceutical Resources, Inc. ("PRI"). In February 2002, the Company received a $250,000 payment from PRI in consideration of extending negotiations pursuant to the letter agreement. On March 14, the Company announced that the sale would not be consummated due to the failure of PRI to proceed with the transaction in a timely manner. Under the terms of the letter agreement, the Company

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received a $3.0 million break-up fee. Accordingly, the Company recognized a first quarter 2002 pre-tax gain of $2.8 million, representing the total cash received in February and March of $3.25 million less related expenses of $0.4 million. See also Notes 11 and 22.

NOTE 7. DISPOSITION OF ASSETS

On April 2, 1999, the Company sold its pearlescent pigments business, a non-core product line that was part of the Personal Care business segment, which resulted in a pre-tax gain of $8.5 million. The pearlescent pigments product line accounted for $4.9 million of the Company's net sales in 1998. As a result, the sale did not have a material impact on the Company's results of operations for the year 1999.

NOTE 8. OTHER EXPENSE, NET

Other expense, net, comprises 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 expenses that are not associated with on-going operations or that are caused by events not reflective of the Company's normal business activities. Other expense, net, is comprised of the following:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
			(THOUSANDS)		
Foreign exchange gains(losses).....	$ 4,930	$ (1,691)	$ (4,211)	$(1,596)	$ 59
Financing costs on sale of accounts receivable (see Note 12).....	(2,495)	(2,342)	(1,886)	(457)	(204)
Environmental provision relating to discontinued operations.....	(3,450)	(2,662)	(2,500)	(2,500)	--
Write-off of receivables from G-I Holdings (see Note 18).....	--	(2,193)	--	--	--
Miscellaneous other non-operating expenses.....	(5,993)	(9,510)	(7,464)	(1,625)	(1,811)
Total other expense, net.....	$(7,008)	$(18,398)	$(16,061)	$(6,178)	$(1,956)

NOTE 9. DISCONTINUED OPERATION

On October 1, 1999, the Company sold the stock of its Filter Products subsidiaries to Hayward Industrial Products, Inc. for a purchase price of $62.0 million. The gain on the sale was $23.5 million, after income taxes of $12.7 million. Accordingly, the Filter Products business segment is reported as a discontinued operation in the Consolidated Financial Statements.

Summary operating results for the Filter Products business are as follows:

	YEAR ENDED DECEMBER 31, 1999
	(THOUSANDS)
Net sales.....	$28,730
Income before income taxes.....	$ 2,726
Income taxes.....	(957)
Net income.....	$ 1,769

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NOTE 10. INCOME TAXES

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

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Federal:					
Current	$ 23,001	$(15,850)	$(11,149)	$ (4,601)	$ (13)
Deferred	(31,406)	(20,648)	17,310	(4,938)	(5,211)
Total Federal	(8,405)	(36,498)	6,161	(9,539)	(5,224)
Foreign:					
Current	(16,830)	(17,466)	(7,318)	(3,002)	(3,481)
Deferred	5,185	9,076	416	709	733
Total foreign	(11,645)	(8,390)	(6,902)	(2,293)	(2,748)
State and local:					
Current	(1,200)	(304)	(840)	(864)	(238)
Deferred	(844)	(481)	(472)	178	11
Total state and local	(2,044)	(785)	(1,312)	(686)	(227)
Income tax provision	$(22,094)	$(45,673)	$ (2,053)	$(12,518)	$(8,199)

The differences between the income tax provision computed by applying the statutory Federal income tax rate to pre-tax income, and the income tax provision reflected in the Consolidated Statements of Income are as follows:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)				
Statutory tax provision	$(22,035)	$(45,540)	$(2,025)	$(12,485)	$(8,453)
Impact of:					
Foreign operations	4,472	3,730	5,787	1,593	266
State and local taxes, net of Federal benefits	(1,330)	(511)	(853)	(446)	(148)
Nondeductible goodwill amortization	(5,671)	(5,616)	(5,774)	(1,404)	--
Percentage depletion	1,943	1,521	659	229	164
Other, net	527	743	153	(5)	(28)
Income tax provision	$(22,094)	$(45,673)	$(2,053)	$(12,518)	$(8,199)

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

	DECEMBER 31,		MARCH 31, 2002
	2000	2001	(UNAUDITED)
		(THOUSANDS)	
Deferred tax liabilities related to:			
Property, plant and equipment	$102,697	$108,187	$115,510
Other	82,193	25,164	52,753
Total deferred tax liabilities	184,890	133,351	168,263
Deferred tax assets related to:			
Expenses not yet deducted for tax purposes	(19,901)	(22,477)	(39,649)
Other	(24,042)	(26,055)	(27,905)
Total deferred tax assets	(43,943)	(48,532)	(67,554)
Net deferred tax liability	140,947	84,819	100,709
Deferred tax assets reclassified to current assets	29,394	32,929	33,688
Noncurrent deferred tax liability	$170,341	$117,748	$134,397

Effective January 1, 2001, the Company entered into tax sharing agreements with ISP and ISP Chemco with respect to the payment of Federal income taxes and certain related matters. The tax sharing agreements are substantially similar to the 1997 Tax Sharing Agreement described below. ISP Chemco and its domestic subsidiaries are a party to a Tax Sharing Agreement with ISP with respect to the payment of Federal income taxes and certain related matters dated as of January 1, 1997 (the "1997 Tax Sharing Agreement"). During the term of the 1997 Tax Sharing Agreement, which extends as long as ISP Chemco or any of its domestic subsidiaries, as the case may be, are included in a consolidated Federal income tax return filed by ISP or a successor entity, ISP Chemco is obligated to pay to ISP an amount equal to those Federal income taxes ISP Chemco would have incurred if, subject to certain exceptions, ISP Chemco (on behalf of itself and its domestic subsidiaries) filed its own consolidated Federal income tax return. These exceptions include, among others, that ISP Chemco 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 and its consolidated subsidiaries (the "ISP Group"); and that ISP Chemco may carry back or carry forward its favorable tax attributes only after taking into account current tax attributes of the ISP Group. In general, subject to the foregoing limitations, unused tax attributes carry forward for use in reducing amounts payable by ISP Chemco to ISP in future years. Subject to certain exceptions, actual payment for such attributes will be made by ISP to ISP Chemco only when ISP receives an actual refund of taxes from the Internal Revenue Service (the "IRS") or, under certain circumstances, the earlier of the dates of the filing of Federal income tax returns of ISP Chemco for taxable years of ISP Chemco following the last taxable year in which it was a member of the ISP Group. Foreign tax credits not utilized by ISP Chemco in computing its tax sharing payments will be refunded by ISP to ISP Chemco, if such credits expire unutilized, upon the termination of the statute of limitations for the year of expiration.

The 1997 Tax Sharing Agreement provides for analogous principles to be applied to any consolidated, combined or unitary state or local taxes. Under the 1997 Tax Sharing Agreement, ISP makes all decisions with respect to all matters relating to taxes of the ISP Group. The provisions of the 1997 Tax Sharing Agreement take into account both the Federal income taxes ISP Chemco would have incurred if it filed its own separate Federal income tax return and the fact that ISP Chemco is a member of the ISP Group for Federal income tax purposes.

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The predecessor of ISP and certain of its domestic subsidiaries were parties to tax sharing agreements with members of the consolidated group that included G-I Holdings Inc. (the "G-I Holdings Group"). Until January 1, 1997, ISP and its domestic subsidiaries were included in the consolidated Federal income tax returns of the G-I Holdings Group. Therefore, such tax sharing agreements are no longer applicable with respect to the tax liabilities of ISP for periods subsequent to January 1, 1997. ISP remains obligated, however, with respect to tax liabilities imposed or that may be imposed for periods prior to such date. Among other things, those tax sharing agreements provide for the sharing of the G-I Holdings 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 G-I Holdings equal to ISP's allocable share of the G-I Holdings Group's consolidated tax liability.

On September 15, 1997, G-I Holdings received a notice from the Internal Revenue Service (the "IRS") of a deficiency in the amount of $84.4 million (after taking into account the use of net operating losses and foreign tax credits otherwise available for use in later years) in connection with the formation in 1990 of Rhone-Poulenc Surfactants and Specialties, L.P. (the "surfactants partnership"), a partnership in which G-I Holdings held an interest. G-I Holdings has advised the Company that it believes that it will prevail in the tax matter arising out of the surfactants partnership, although there can be no assurance in this regard. The Company believes that the ultimate disposition of this matter will not have a material adverse effect on its business, financial position or results of operations. On September 21, 2001, the IRS filed a proof of claim with respect to such deficiency against G-I Holdings in the G-I Holdings bankruptcy. On May 7, 2002, G-I Holdings filed an objection to that proof of claim. If such proof of claim is sustained, the Company and/or some of the Company's subsidiaries, together with G-I Holdings and several current and former subsidiaries of G-I Holdings, would be severally liable for such taxes and interest in the amount of approximately $250.0 million should G-I Holdings be unable to satisfy such liability. In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related bodily injury claims relating to the inhalation of asbestos fiber. See Note 21.

NOTE 11. ACQUISITIONS

On October 15, 1999, the Company acquired substantially all of the assets of the Kelco Alginates division of Monsanto Company, including manufacturing facilities in San Diego, California and Girvan, Scotland, a research facility in Tadworth, England and equity investments in three seaweed processing joint ventures in Ireland, Iceland and Tasmania. The alginates business manufactures sodium alginate, propylene glycol alginate and other alginate derivatives. The results of the alginates business, including sales of $12.8 million for 1999, are included in the Company's financial statements from the date of its acquisition and were not material to 1999 operations.

On June 7, 2001, the Company completed the acquisition of substantially all of the assets of FineTech Ltd. ("FineTech"), a pharmaceutical research company based in Haifa, Israel. FineTech specializes in the design of proprietary synthetic routes and methodologies used in the production of highly complex and valuable organic compounds for the pharmaceutical industry. The acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the estimated fair value of the identifiable assets acquired, including $9.5 million of intangible assets, and the excess was recorded as goodwill, pending management's valuation of the fair values of the net assets acquired as of the date of acquisition. The results of the FineTech business, including sales of $2.2 million in 2001, are included in the Company's results from the date of its acquisition and were not material to 2001 operations. See also Notes 6 and 22.

On December 31, 2001, the Company's wholly owned subsidiary, ISP (Canada) Inc. completed the acquisition of the industrial biocides business of Degussa Corporation. The industrial biocides business manufactures Fungitrol(R) fungicides, Nuosept(R) preservatives, Nuocide (R) fungicides and algaecides, and

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Biotrend(R) biocides. The acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the estimated fair value of the identifiable assets acquired, including $6.3 million of intangible assets, and the excess was recorded as goodwill, pending management's valuation of the fair values of the net assets acquired as of the date of acquisition. The results of the industrial biocides business will be included in the Company's results from the date of its acquisition. This business had sales of approximately $27 million in 2001.

NOTE 12. SALE OF ACCOUNTS RECEIVABLE

In October 2001, the Company entered into a new agreement for the sale of its domestic receivables. This agreement replaces the previous agreement which terminated in October 2001. The new agreement has a termination date of October 2004 and provides for up to $40.0 million in cash to be made available to the Company based on eligible receivables outstanding from time to time. 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 expense, net" and amounted to $2.5, $2.3, $1.9, $0.5 and $0.2 million in 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively.

NOTE 13. INVENTORIES

Inventories comprise the following:

	DECEMBER 31, 2000	DECEMBER 31, 2001	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)		
Finished goods	$ 93,356	$120,797	$102,824
Work-in-process	29,022	36,960	33,557
Raw materials and supplies	28,570	32,825	34,444
Inventories	$150,948	$190,582	$170,825

At December 31, 2000 and 2001, and March 31, 2002, $38.7, $60.1 and $56.9 million, respectively, of domestic inventories were valued using the LIFO method. If the FIFO inventory method had been used to value these inventories, they would have been $0.1 million lower at December 31, 2000, $3.7 million higher at December 31, 2001 and $2.2 million higher at March 31, 2002.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, comprises the following:

	DECEMBER 31, 2000	DECEMBER 31, 2001	MARCH 31, 2002 (UNAUDITED)
	(THOUSANDS)		
Land and land improvements	$ 78,236	$ 80,594	$ 82,035
Buildings and building equipment	105,279	111,347	113,347
Machinery and equipment	624,761	683,142	694,040
Construction in progress	60,326	45,592	36,590
Total	868,602	920,675	926,012
Less accumulated depreciation	(309,914)	(363,716)	(374,111)
Property, plant and equipment, net	$ 558,688	$ 556,959	$ 551,901

See Note 21 for information regarding capital leases.

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NOTE 15. LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt comprises the following:

	DECEMBER 31, 2000	DECEMBER 31, 2001	MARCH 31, 2002 (UNAUDITED)
		(THOUSANDS)	
9 3/4% Senior Notes due February 2002	$ 199,871	$ --	$ --
9% Senior Notes due October 2003	324,736	307,858	--
Senior Credit Facilities:			
Term loan expiring June 2008	--	223,875	223,313
Revolving credit facility	196,000	95,250	87,400
10 1/4% Senior Subordinated Notes due 2011	--	402,536	402,601
10 5/8% Senior Secured Notes due 2009	--	200,000	200,000
Obligation on mortgaged property, due January 2001	28,125	--	--
Obligations under capital leases (Note 21)	533	271	215
Other	32	32	21
Total long-term debt	749,297	1,229,822	913,550
Less current maturities	(224,419)	(310,265)	(2,360)
Long-term debt less current maturities	$ 524,878	$ 919,557	$911,190

On June 27, 2001, ISP Chemco and three of its wholly owned subsidiaries jointly issued $205.0 million aggregate principal amount of 10 1/4% Senior Subordinated Notes due 2011 (the "2011 Notes"). The net proceeds of $197.3 million, after discount and fees, were placed in a restricted cash escrow account and were distributed to the Company's parent, ISP, to retire ISP's 9 3/4% Senior Notes due 2002 (the "2002 Notes"). During the third quarter of 2001, ISP retired $19.9 million of the 2002 Notes, and the remaining $180.0 million of the 2002 Notes were retired on or prior to October 15, 2001. On July 31, 2001, ISP Chemco and those same three wholly owned subsidiaries jointly issued an additional $100.0 million aggregate principal amount of the 2011 Notes. These notes have the same terms as the 2011 Notes issued in June 2001. The net proceeds were $98.9 million, including $0.9 million of accrued interest from June 27, 2001 to the date of issuance, of which $98.0 million were placed in a restricted cash escrow account to be distributed to ISP to be used to retire a portion of ISP's 9% Senior Notes due 2003 (the "2003 Notes").

On November 13, 2001, ISP Chemco and those same three wholly owned subsidiaries jointly issued an additional $100.0 million aggregate principal amount of the 2011 Notes. These notes have the same terms as the 2011 Notes issued in June 2001 except with respect to interest accrual and registration rights. The net proceeds of $101.0 million were placed in a restricted cash escrow account to be distributed to ISP to be used to retire a portion of ISP's 2003 Notes. ISP retired $16.9 million aggregate principal amount of the 2003 Notes in 2001. On January 14, 2002, ISP redeemed the remaining $307.9 million aggregate principal amount of the 2003 Notes. The 2003 Notes were redeemed at a redemption price of 101.5% of the principal amount plus accrued and unpaid interest to the redemption date. As a result, the Company recorded an extraordinary loss on the early retirement of debt of $4.7 million ($7.1 million before income tax benefit of $2.4 million). The extraordinary loss was comprised of $4.6 million of call premium, $0.2 million of remaining discount amortization and the write-off of $2.3 million of unamortized deferred financing fees.

The 2011 Notes are guaranteed by substantially all of ISP Chemco's domestic subsidiaries. The 2011 Notes were issued under an indenture which, among other things, places limits on the ability of ISP

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Chemco and its subsidiaries, except its accounts receivable subsidiary and certain immaterial subsidiaries, to incur additional debt, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments.

In a related transaction, ISP Chemco and its three subsidiaries which issued the 2011 Notes also entered into $450.0 million of new senior secured credit facilities (the "Senior Credit Facilities"), the initial borrowings under which were used to repay amounts outstanding under the Company's previous credit facility. The Senior Credit Facilities are comprised of a $225.0 million term loan with a maturity of seven years and a $225.0 million revolving credit facility which will terminate in five years. The revolving credit facility includes a borrowing capacity not in excess of $50.0 million for letters of credit. All borrowings under the Senior Credit Facilities are based on either an alternate base rate (based on the banks' base rate or on the federal funds rate) or on the eurodollar rate plus a margin based on the ratio of ISP Chemco's total consolidated debt to EBITDA (as defined in the Senior Credit Facilities). The average interest rate at March 31, 2002 on borrowings under the Senior Credit Facilities was 5.2%. The Senior Credit Facilities require compliance with various financial covenants, including a total debt leverage maintenance ratio, a senior debt leverage maintenance ratio, an interest coverage ratio and a minimum adjusted net worth. At March 31, 2002, the Company was in compliance with these covenants. As of March 31, 2002, $87.4 million of borrowings and $5.6 million of letters of credit were outstanding under the revolving credit facility. In addition, the Senior Credit Facilities limit the ability of ISP Chemco and its subsidiaries, except the Company's accounts receivable subsidiary and certain immaterial subsidiaries, to incur additional debt, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments. ISP Chemco and substantially all of its domestic subsidiaries are designated as obligors under the Senior Credit Facilities. The obligations of the obligors under the Senior Credit Facilities are secured by a first-priority security interest in 100% of the capital stock of ISP Chemco's domestic subsidiaries and 66% of the capital stock of some of ISP Chemco's foreign subsidiaries, and substantially all of the real and personal property of the obligors, except for the Company's accounts receivable subsidiary and certain immaterial subsidiaries.

On December 13, 2001, the Company issued $200.0 million principal amount of 10 5/8% Senior Secured Notes due 2009 (the "2009 Notes"). The net proceeds from this issuance were approximately $194.3 million, of which $125.7 million was placed in a restricted cash escrow account and used to redeem the remaining 2003 Notes. The 2009 Notes are secured by a first priority lien on all of the outstanding capital stock of ISP Chemco. The 2009 Notes are structurally subordinated to all liabilities of the Company's subsidiaries. The 2009 Notes were issued under an indenture which, among other things, limits the ability of the Company and its subsidiaries, except our unrestricted subsidiaries, to incur additional debt, enter into transactions with affiliates, issue preferred stock, incur liens, and pay dividends or make certain other restricted payments and restricted investments. ISP Investco, one of the Company's wholly owned subsidiaries, the subsidiaries of ISP Investco, the Company's accounts receivable subsidiary and certain immaterial subsidiaries have been designated as unrestricted subsidiaries under the indenture related to the 2009 Notes.

As the Company has used the net proceeds from the issuance of the 2009 Notes and the 2011 Notes to retire ISP's 2002 and 2003 Notes, the 2002 Notes and the 2003 Notes have been retroactively reflected on the Company's Consolidated Balance Sheets for all periods presented.

In October 1996, ISP issued $325 million principal amount of the 2003 Notes. As discussed above, ISP redeemed the remaining 2003 Notes on January 14, 2002.

Borrowings by the Company and its subsidiaries, including those under the Senior Credit Facilities, are subject to the application of certain financial covenants contained in such agreement and in the indentures governing the 2009 Notes and the 2011 Notes. As of December 31, 2001, the Company and

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those subsidiaries were in compliance with such covenants, and the application of such covenants would not have restricted available borrowings under the Senior Credit Facilities.

The Senior Credit Facilities and the indenture governing the 2011 Notes contain additional affirmative and negative covenants affecting ISP Chemco and some of its subsidiaries, including restrictions on transactions with affiliates, sale-leaseback transactions and mergers and transfers of all or substantially all of those subsidiaries' assets. The indenture governing the 2009 Notes also contain additional affirmative and negative covenants similar to those contained in the indenture governing the 2011 Notes affecting us and some of our subsidiaries. These limitations do not apply to ISP Investco LLC, an unrestricted subsidiary. As of March 31, 2002, under the most restrictive of these limitations, the Company could have paid dividends and other restricted payments of up to $53.4 million. Additionally, in the event the holders of the 2009 Notes were to foreclose on ISP Chemco's capital stock following an event of default under those notes, the sale of the capital stock would constitute a change of control of ISP Chemco. Under the indenture governing the 2011 Notes, if a change of control of ISP Chemco occurs, ISP Chemco is obligated to make an offer to repurchase the 2011 Notes from their respective holders. The terms of the Senior Credit Facilities, however, prohibit the repayment of the 2011 Notes in that event unless and until such time as the indebtedness under the Senior Credit Facilities is repaid in full. Failure to make such repayment upon a change of control would result in a default under the 2011 Notes. A change of control of ISP Chemco would also result in a default under the Senior Credit Facilities. In the event of a default under the indenture governing the 2011 Notes or under the Senior Credit Facilities, the holders of the 2011 Notes or the lenders under the Senior Credit Facilities, as the case may be, could elect to accelerate the maturity of the 2011 Notes or the loans under the Senior Credit Facilities. Those events could have a material adverse effect on the Company's financial condition and results of operations.

At December 31, 2000, the Company had a $28.1 million mortgage obligation on its headquarters property. This mortgage was repaid in January 2001. Interest on the mortgage was at a floating rate based on LIBOR.

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. 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 estimated fair value of the 2002 Notes as of December 31, 2000 was $165.9 million, the estimated fair value of the 2003 Notes as of December 31, 2000 and 2001 was $246.7 and $312.5 million, respectively. The estimated fair value of the 2009 Notes as of December 31, 2001 and March 31, 2002 was $200.3 and $207.0 million, respectively, and the estimated fair value of the 2011 Notes as of December 31, 2001 and March 31, 2002 was $418.6 and $428.8 million, respectively.

The aggregate maturities of long-term debt as of March 31, 2002 for the next five years are as follows:

TWELVE MONTHS ENDED MARCH 31,	(THOUSANDS)
2003	$ 2,360
2004	2,252
2005	2,253
2006	2,250
2007	141,400

In the above table, maturities for each of the twelve months ended March 31, 2003 through March 31, 2006 include $2.3 million of maturities relating to the term loan under the Senior Credit Facilities. Maturities for the twelve months ended March 31, 2007 include $54.0 million relating to such

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term loan and the $87.4 million of borrowings outstanding under the revolving credit facility, based on the expiration of the revolving credit facility in June 2006.

At March 31, 2002, the Company did not have any short-term lines of credit. Short-term borrowings at December 31, 2000 were $143.7 million. The weighted-average interest rate on those borrowings was 7.0%. Short-term borrowings at December 31, 2001 and March 31, 2002 were not significant.

Under the indenture governing the 2009 Notes discussed above, ISP Investco has been designated as an unrestricted subsidiary for purposes of covenants relating to the 2009 Notes. Unrestricted subsidiaries, including ISP Investco, had no impact on the Company's net sales or operating income for the periods presented. The following table details, as required by the indenture governing the 2009 Notes, the impact of unrestricted subsidiaries on the Company's results of operations, as if ISP Investco was formed on January 1, 1999. The actual results of ISP Investco prior to its formation in June 2001 are included in the results of ISP Chemco.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	1999	2000	2001	APRIL 1, 2001 (UNAUDITED)	MARCH 31, 2002 (UNAUDITED)
	(MILLIONS)				
Interest expense	$(9.7)	$(13.9)	$(8.4)	$(2.7)	$(0.4)
Investment income (loss)	4.1	144.4	(2.5)	33.0	15.2
Miscellaneous other income (expense)	(0.2)	(0.2)	(0.9)	0.2	(0.1)

NOTE 16. 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 (any portion of which can be contributed, at the participants' option, in the form of the Company's common stock), 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 were $8.1, $7.7, $7.3, $2.2 and $2.1 million for 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively.

DEFINED BENEFIT PLANS

The Company provides a noncontributory defined benefit retirement plan for certain hourly employees in the United States (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.

ISP Marl GmbH, a wholly owned subsidiary of the Company, provides a noncontributory defined benefit retirement plan for its hourly and salaried employees (the "ISP Marl Plan"). Benefits under this plan are based on average earnings over each employee's career with the Company.

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The Company's net periodic pension cost (income) for the Hourly Retirement Plan and the ISP Marl Plan included the following components:

	HOURLY RETIREMENT PLAN			ISP MARL PLAN		
	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
	1999	2000	2001	1999	2000	2001
	(THOUSANDS)					
Service cost	$ 310	$ 247	$ 247	$176	$ 99	$133
Interest cost	1,678	1,811	1,932	236	132	220
Expected return on plan assets	(2,314)	(2,633)	(3,084)	--	--	--
Amortization of actuarial losses	215	40	36	12	--	--
Amortization of unrecognized prior service cost	174	190	190	11	7	8
Net periodic pension cost (income)	$ 63	$ (345)	$ (679)	$435	$238	$361

Net periodic pension cost (income) for the Hourly Retirement Plan was $(162,000) and $(204,000), respectively, for the first three months of 2001 and 2002, and was $50,000 and $(136,000), respectively, for the ISP Marl Plan.

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The following tables set forth, for the years 2000 and 2001, reconciliations of the beginning and ending balances of the benefit obligation, fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets related to the Hourly Retirement Plan and the ISP Marl Plan:

	HOURLY RETIREMENT PLAN		ISP MARL PLAN	
	DECEMBER 31,		DECEMBER 31,	
	2000	2001	2000	2001
	(THOUSANDS)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$23,429	$25,406	$ 3,796	$ 3,165
Service cost	247	247	99	133
Interest cost	1,811	1,932	132	220
Plan amendments	236	--	--	--
Actuarial (gains) losses	1,028	1,707	(862)	128
Benefits paid	(1,345)	(1,416)	--	--
Benefit obligation at end of year	25,406	27,876	3,165	3,646
Change in plan assets:				
Fair value of plan assets at beginning of year	23,661	28,132	--	--
Actual return on plan assets	3,959	2,467	--	--
Employer contributions	1,857	1,308	--	--
Benefits paid	(1,345)	(1,416)	--	--
Fair value of plan assets at end of year	28,132	30,491	--	--
Reconciliation of funded status:				
Funded status	2,726	2,615	(3,165)	(3,646)
Transition obligation	--	--	96	123
Unrecognized prior service cost	1,109	919	--	--
Unrecognized actuarial (gains) losses	2,299	4,587	(64)	110
Net amount recognized in Consolidated Balance Sheets as (accrued) prepaid benefit cost	$ 6,134	$ 8,121	$(3,133)	$(3,413)

In determining the projected benefit obligation, the weighted-average assumed discount rate was 7.50% and 7.25% for 2000 and 2001, respectively, for the Hourly Retirement Plan, and was 6.5% for each year for the ISP Marl Plan. The expected long-term rate of return on assets, used in determining net periodic pension cost (income) for the Hourly Retirement Plan, was 11% for 2000 and 2001 and was 7% for each year for the ISP Marl Plan.

The Company also provides a nonqualified defined benefit retirement plan for certain key employees. Expense accrued for this plan was $0.9, $1.2, $0.7, $0.3 and $0.2 million for 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively.

In connection with the Company's Supplemental Executive Retirement Plan and postretirement medical and life insurance plan, the Company owns certain life insurance policies with a face value of $98.9 million at December 31, 2001. These policies had a cash surrender value of $38.3 and $41.4 million at December 31, 2000 and 2001, respectively, and policy loans of $36.8 and $39.7 million, respectively. The net cash surrender value at December 31, 2000 and 2001 was $1.5 and $1.7 million, respectively, and is included in "Other assets."

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POSTRETIREMENT MEDICAL AND LIFE INSURANCE

The Company generally does not provide postretirement medical and life insurance benefits, although it subsidizes such benefits for certain employees and certain retirees. Such subsidies were reduced as of January 1, 2000.

The net periodic postretirement benefit cost included the following components:

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
	(THOUSANDS)		
Service cost	$ 7	$ 109	$ 123
Interest cost	608	576	679
Amortization of actuarial loss	--	--	64
Amortization of unrecognized prior service cost	(179)	(284)	(284)
Net periodic postretirement benefit cost	$ 436	$ 401	$ 582

Net periodic postretirement benefit cost was $101,000 and $153,000 for the first three months of 2001 and 2002, respectively.

The following table sets forth, for the years 2000 and 2001, reconciliations of the beginning and ending balances of the postretirement benefit obligation, funded status and amounts recognized in the Consolidated Balance Sheets related to postretirement medical and life insurance benefits:

	DECEMBER 31,	
	2000	2001
	(THOUSANDS)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 7,640	$ 8,168
Service cost	109	123
Interest cost	576	679
Effect of plan amendments	(1,750)	--
Actuarial losses	2,051	1,356
Benefits paid, net of participant contributions	(458)	(565)
Benefit obligation at end of year	8,168	9,761
Change in plan assets:		
Fair value of plan assets at beginning of year	--	--
Employer contributions	458	565
Benefits paid, net of participant contributions	(458)	(565)
Fair value of plan assets at end of year	--	--
Reconciliation of funded status:		
Funded status	(8,168)	(9,761)
Unrecognized prior service cost	(2,440)	(2,157)
Unrecognized actuarial losses	842	2,135
Net amount recognized in Consolidated Balance Sheets as accrued benefit cost	$(9,766)	$(9,783)

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For purposes of calculating the accumulated postretirement benefit obligation, the following assumptions were made. Retirees as of December 31, 2001 who were formerly salaried employees (with certain exceptions) were assumed to receive a Company subsidy of $400 to $1,000 per year. For retirees over age 65, this subsidy may be replaced by participation in a managed care program. 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 9% and 6% annual rate of increase in the Company's per capita cost of providing postretirement medical benefits was assumed for 2001 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 an ultimate rate of 5% and 6%, respectively, by the year 2009 and remain at that level thereafter. The weighted-average assumed discount rate used in determining the accumulated postretirement benefit obligation was 7.50% and 7.25% for 2000 and 2001, 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 as of December 31, 2000 and 2001 by $156,000 and $25,000, respectively, and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the years 2000 and 2001 by $11,000 and $2,000, respectively. A decrease of one percentage point in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2000 and 2001 by $138,000 and $22,000, respectively, and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the years 2000 and 2001 by $10,000 and $2,000, respectively.

NOTE 17. STOCK OPTION AND AWARD PLANS, LONG TERM INCENTIVE PLAN AND STOCK APPRECIATION RIGHTS

ISP's 1991 Incentive Plan for Key Employees and Directors, as amended (the "1991 Plan"), authorized the grant of options to purchase a maximum of 13,000,000 shares of ISP's common stock. The Compensation Committee of the Board of Directors (the "Committee") determined the exercise price and vesting schedule of options granted under the 1991 Plan. In 1995 through 1999, ISP granted options to certain employees to purchase an aggregate of 3,217,020 shares of ISP's common stock at exercise prices ranging from $.625 to $5.625 below the fair market value of such shares on the date of grant. The difference 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 to 5 years. Compensation expense for such options was $0.8, $0.5 and $0.6 million in 1999, 2000 and 2001, respectively. All other employee options granted under the 1991 Plan have a term of nine years, have an exercise price equal to the fair market value of such shares on the date of grant and become exercisable at a rate determined by the Committee at the time of grant. Special vesting rules apply to options granted to non-employee directors. The 1991 Plan expired in accordance with its terms in June 2000, and no additional options will be granted under the 1991 Plan.

Effective July 1, 2000, ISP adopted the 2000 Stock Option Plan for Non-Employee Directors (the "2000 Plan"), which was approved by ISP's stockholders in May 2001. The 2000 Plan authorizes the grant of options to purchase a maximum of 200,000 shares of ISP's common stock. Under the 2000 Plan, each non-employee director is granted a non-qualified stock option to purchase 5,000 shares of ISP's common stock (the "Initial Option") on the date such person becomes an eligible director and an additional non-qualified option to purchase 3,000 shares of ISP's common stock (an "Additional Option") on each anniversary of the date of grant of the Initial Option. The term of each option granted is nine years. Initial Options are subject to a three-year vesting period, commencing on the first anniversary of the date of grant, and Additional Options are subject to a one-year vesting period, becoming exercisable in full on the first anniversary of the date of grant. The exercise price of the options is equal to the fair market

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value of such shares on the date of grant. During 2000 and 2001, ISP granted 15,000 and 19,000 options, respectively, pursuant to the 2000 Plan, of which 28,000 options were outstanding at December 31, 2001.

The Company has elected the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and applies APB Opinion No. 25 and related interpretations in accounting for the 1991 Plan and the 2000 Plan (collectively, the "Plans"). If the Company had elected to recognize compensation cost based on the fair value of awards under the Plans at grant dates, the Company's pro forma net income (loss) for the years 1999, 2000 and 2001 would have been $62.4, $82.1 and $1.8 million, respectively. The SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, and the resulting pro forma compensation expense may not be indicative of pro forma expense in future years.

The fair value of ISP's stock options used to compute pro forma net income and earnings per share is the estimated present value at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: risk-free interest rate of 6%; expected life of 6 years; expected volatility of 24%; and dividend yield of 0%.

The following is a summary of transactions pertaining to the Plans:

	YEAR ENDED DECEMBER 31, 1999		YEAR ENDED DECEMBER 31, 2000		YEAR ENDED DECEMBER 31, 2001	
	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1	6,989	$12.06	8,028	$10.93	4,625	$10.50
Granted	3,468	9.47	20	6.12	19	8.68
Exercised	(292)	7.03	(87)	6.40	(208)	7.17
Exchanged for Incentive Plan Units	--	--	(2,033)	10.94	--	--
Forfeited	(2,137)	12.78	(1,303)	11.62	(570)	11.71
Outstanding, December 31	8,028	10.93	4,625	10.50	3,866	10.49
Options exercisable, December 31	3,162	10.81	2,669	10.24	3,158	10.48

Based on calculations using the Black-Scholes option-pricing model, the weighted-average fair value of options granted in 1999, 2000 and 2001 under the Plans for which the exercise price equaled the fair market value of such shares on the date of grant was $2.91, $1.81 and $4.06 per share, respectively, and such weighted-average fair value of options granted in 1999 for which the exercise price was less than the fair market value of such shares on the date of grant was $5.64; all options granted in 2000 and 2001 were at exercise prices equal to the fair market value at the date of grant.

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The following is a summary of the status of stock options outstanding and exercisable under the Plans as of December 31, 2001:

	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	SHARES (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
$ 3.781 - $ 5.875	270	$ 4.69	3.65 years	153	$ 4.83
$ 5.876 - $ 8.938	882	7.47	2.01 years	866	7.46
$ 8.939 - $13.313	2,031	10.84	5.29 years	1,609	11.00
$13.314 - $18.625	683	15.64	5.45 years	530	15.50
Total	3,866	10.49	4.45 years	3,158	10.48

In February 2000, ISP adopted the 2000 Long Term Incentive Plan (the "Incentive Plan"), which authorizes the grant of incentive units ("Incentive Units") to eligible Company employees. The Incentive Plan is administered by the Committee, which in its sole discretion determines the number of Incentive Units to be granted to each employee. Generally, Incentive Units vest cumulatively, in 20% increments over five years, or in 10% increments every six months over five years. The value of Incentive Units is determined at the end of each fiscal quarter based on ISP's total Stockholders' Equity (excluding accumulated other comprehensive income and losses) divided by total common shares outstanding. The Incentive Plan will terminate five years after its effective date of February 2000, unless terminated sooner by the Committee.

In 2000, employees exchanged an aggregate of 2,032,994 stock options granted under the 1991 Plan (discussed above) for an aggregate of 1,508,062 Incentive Units. An additional 2,052,725 Incentive Units were granted during 2000. At December 31, 2000, 3,342,049 Incentive Units were outstanding. In 2001, 1,272,751 Incentive Units were granted, and as of December 31, 2001, 4,206,614 Incentive Units were outstanding. Compensation expense for such Incentive Units was $2.0 and $3.8 million in 2000 and 2001, respectively.

In 2000 and 2001, ISP issued restricted stock awards to two executives for 230,000 and 20,000 shares, respectively, of ISP's common stock pursuant to individual plan agreements. Such shares were issued subject to certain conditions with respect to transfer and other restrictions as prescribed by the plans. The restricted shares vest over a period of four to five years. Upon the issuance of the restricted shares, unearned compensation, equivalent to the market price of the shares on the date of grant, in the amount of $1.3 and $0.2 million in 2000 and 2001, respectively, was charged to ISP's Stockholders' Equity and is being amortized to compensation expense as the shares vest. Compensation expense in 2001 related to these restricted shares was $0.3 million. Also in 2000 and 2001, ISP granted two executives stock bonus awards totaling 75,000 and 13,055 shares, respectively, of ISP's common stock and, in connection with such awards and the vesting of the restricted stock awards, also made loans totaling $167,000 and $160,000, respectively, to such executives to enable them to satisfy certain withholding tax obligations. These loans are evidenced by recourse promissory notes that bear interest at the rate of 6.45% per annum. The loans for $167,000 were repaid on April 15, 2001. The loans for $160,000 were converted to demand notes with interest at the Applicable Federal Rate for Short Term Instruments. The value of the stock awards on the date of issuance, totaling $455,000 and $100,000, was charged to compensation expense in 2000 and 2001, respectively.

ISP Holdings issued options in 1996 to certain employees to purchase 138,983 shares of ISP Holdings' redeemable convertible preferred stock ("Preferred Stock"), exercisable at a price of $111.44 per share. Each share of Preferred Stock was convertible, at the holder's option, into shares of common

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stock of ISP Holdings at a formula price based on the sum of the determined initial Book Value (as defined) plus interest on such Book Value at a specified rate. The options vested over seven years, subject to earlier vesting under certain circumstances including in connection with a change of control.

ISP Holdings also issued stock appreciation rights ("SARs") in 1996 related to 27,748 shares of ISP Holdings' common stock. The SARs represented the right to receive a cash payment based upon the appreciation in value of the specified number of shares of common stock of ISP Holdings over the sum of the determined initial Book Value (as defined) per share of common stock of ISP Holdings plus interest on such Book Value at a specified rate. The SARs vested over a five-year period, subject to earlier vesting under certain circumstances including in connection with a change of control.

As a result of the Merger (see Note 1), ISP Holdings' Preferred Stock option and SAR programs were terminated, and the Company charged $7.9 million against operating income for cash payments made in 1998 for amounts vested at that time. Additional expense is being recorded over the remaining vesting period from the date of the Merger through 2003, including $0.9 million in 1999, $0.4 million in 2000 and $0 in 2001.

NOTE 18. RELATED PARTY TRANSACTIONS

Included in the Consolidated Balance Sheets are the following net receivable (payable) balances with related parties, which arise from operating transactions between the Company and its affiliates, including the sales of mineral products and the management agreement, as discussed below:

	DECEMBER 31,		MARCH 31, 2002
	2000	2001	(UNAUDITED)
		(THOUSANDS)	
ISP Parent Company	$ 2,676	$(28,623)	$(40,775)
Building Materials Corporation of America ("BMCA")	10,253	9,301	17,684
G-I Holdings	1,610	2	14
Other	(129)	(294)	(245)
Receivable from related parties, net	$14,410	$(19,614)	$(23,322)

The $28.6 and $40.8 million payable to ISP at December 31, 2001 and March 31, 2002, respectively, represents advances of cash from ISP to ISP Investco for investment purposes.

As discussed in Notes 10 and 21, in January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related claims. As a result, the Company, as of December 31, 2000, established a reserve for doubtful receivables from G-I Holdings of $2.7 million, representing $0.6 million of unpaid management fees (see below) and $2.1 million of other payments which the Company made on behalf of G-I Holdings.

BMCA, an indirect subsidiary of G-I Holdings and an affiliate of the Company, and its subsidiaries purchase all of their colored roofing granules requirements from the Company under a requirements contract, except for the requirements of certain of their roofing plants which are supplied by a third party. Effective January 1, 2002, this contract was extended by the parties to expire on December 31, 2002. In 2001, BMCA and its subsidiaries purchased a total of $63.4 million of mineral products from the Company, representing 8.1% of the Company's total net sales and 78.6% of the Company's net sales of mineral products. Sales by the Company to BMCA and its subsidiaries totaled $57.3, $59.3, $15.2 and $19.1 million for 1999 and 2000 and for the first three months of 2001 and 2002, respectively. The receivable from BMCA and its subsidiaries for sales of mineral products as of December 31, 2000 and 2001 and March 31, 2002 was $7.7, $8.8 and $16.2 million, respectively.

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Pursuant to a management agreement (the "Management Agreement"), the Company, through a subsidiary, provides certain general management, administrative, legal, telecommunications, information and facilities services to certain of its affiliates, including BMCA and the ISP parent company. Charges by the Company for providing such services aggregated $6.1, $6.1, $6.8, $1.7 and $1.5 million for 1999, 2000 and 2001 and the first three months of 2001 and 2002, respectively, and are reflected as reductions of "Selling, general and administrative" expense. Such charges consist of management fees and other reimbursable expenses attributable to, or incurred by the Company for the benefit of, the respective parties, which are based on an estimate of the costs the Company incurs to provide such services. The receivable from such affiliates for management fees as of December 31, 2000 and 2001 and March 31, 2002 was $1.5, $0.5 and $0.5 million, respectively. The Management Agreement also provides that the Company pay to a subsidiary of G-I Holdings lease payments for the use of one of the Company's sales offices. Effective January 1, 2001, the Management Agreement was amended to extend the term of the agreement through December 31, 2002, to provide for the automatic extension of the agreement for successive quarterly periods unless the agreement is terminated by a party, and to adjust the management fees payable thereunder. The Company and BMCA also allocate a portion of the management fees payable by BMCA under the Management Agreement to separate lease payments for the use of BMCA's headquarters. Based on the services provided by the Company in 2001 under the Management Agreement, the aggregate amount payable to the Company under the Management Agreement for 2002, net of the lease payments to the subsidiary of G-I Holdings, is expected to be approximately $6.1 million.

Under the terms of the Company's previous bank credit facility, the Company or any of its subsidiaries were permitted to make loans to affiliates, and provide letters of credit issued for the benefit of such affiliates, up to an aggregate amount not to exceed $75.0 million at any time, of which $1.1 million was utilized at December 31, 2000 in the form of a long-term loan to its parent company. The Company and its subsidiaries also borrowed from its parent company at the same rates available to the Company under the previous bank credit facility. At December 31, 2000, the Company had $50.0 million in long-term borrowings from its parent company pursuant to a note agreement which was to have matured in December 2006 and $25.0 million in short-term borrowings. Net interest expense on net borrowings from the Company's parent company was $3.2, $3.2, $5.0 and $1.2 million in 1999, 2000 and 2001 and the first three months of 2001, respectively. All such loans were repaid in 2001.

In September 1999, ISP granted its President and Chief Executive Officer the right to purchase, and such officer purchased, 318,599 shares of ISP's common stock held in treasury for a purchase price of $9.563 per share, or an aggregate of $3.047 million. Pursuant to the purchase agreement, ISP loaned such officer $3.047 million to purchase the shares of common stock, which loan is evidenced by a recourse demand note with interest at the Applicable Federal Rate for Short Term Instruments. The principal amount of the note is payable in four installments from June 2001 through January 2004. However, if this officer remains continuously employed by the Company through each installment date, the principal amount due on such installment date will be forgiven. As the loan is forgiven, compensation expense is being recorded, including $762,000 in the year 2001.

NOTE 19. BUSINESS SEGMENT INFORMATION

The Company is a leading multinational manufacturer of a broad spectrum of specialty chemicals and mineral products. In addition to the Mineral Products business segment, the Company operates its Specialty Chemicals business through three reportable business segments, organized based upon the markets for their products and the internal management of the Company, as follows:

Personal Care products serve as critical ingredients in the formulation of many well-known skin care, hair care, toiletry and cosmetic products. Skin care ingredients include sunscreen actives, waterproofing agents, preservatives, emollients and moisturizers. Hair care ingredients include a number of specially

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formulated fixative resins for hairsprays, mousses and gels, as well as thickeners and stabilizers for shampoos and conditioners.

Pharmaceutical, Food and Beverage products are sold to these three government-regulated industries. In the pharmaceutical market, the Company's products serve as key ingredients in prescription and over-the-counter tablets, injectable prescription drugs and serums, cough syrups, antiseptics, toothpastes and denture adhesives. The Company's food products are comprised of the alginates business which was acquired in October 1999 (see Note 11). The Company's alginates products are used as stabilizers in many well-known consumer products. The Company's specialty polymers serve the beverage market by assuring the clarity and extending the shelf life of beer, wine and fruit juices.

Performance Chemicals, Fine Chemicals and Industrial. The Company's Performance Chemicals business includes acetylene-based polymers, vinyl ether monomers, and advanced materials for consumer, agricultural and industrial applications. The Company's acetylene-based chemistry produces a number of performance polymers for use in a wide range of markets including coatings, agriculture, imaging, detergents, electronics and metalworking. The Company manufactures a broad range of highly specialized fine chemicals which are sold to the pharmaceutical, biotechnology, agricultural and imaging markets, including bulk pharmaceuticals, pharmaceutical intermediates, and pheromones for use in insect population measurement and control. The Company's Industrial business markets several intermediate and solvent products, such as butanediol, tetrahydrofuran (THF) and N-methyl pyrrolidone (NMP), which are sold primarily to industrial markets for use in high performance plastics, lubricating oil and chemical processing, electronics cleaning, and coatings.

Mineral Products. The Company manufactures ceramic-coated colored roofing granules that are sold primarily to the North American roofing industry for use in the production of asphalt roofing shingles.

The following segment data are presented based on the Company's internal management reporting system for the four reportable business segments. The Company evaluates segment performance based on operating income. Therefore, the measure of profit or loss that is reported to management for each segment is operating income. Interest expense, other income items and income taxes are not allocated to the business segments for management reporting. At this time, the Company's internal management reporting system does not report assets by segment for the three specialty chemicals reportable segments (Personal Care; Pharmaceutical, Food and Beverage; and Performance Chemicals, Fine Chemicals and Industrial), as many of the Company's plant assets are utilized by several of the segments. Therefore, the following asset-related segment data are presented only for Specialty Chemicals and Mineral Products.

Sales of Mineral Products to BMCA and its subsidiaries in 1999, 2000 and 2001 accounted for 65.7%, 82.5% and 78.6%, respectively, of the Company's net sales of Mineral Products, representing 7.3%, 7.6% and 8.1%, respectively, of the Company's total net sales. No other customer accounted for more than 5% of the Company's total net sales in 1999, 2000 or 2001.

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	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
	(MILLIONS)		
Net sales:			
Personal Care	$ 187.1	$ 189.0	$ 196.2
Pharmaceutical, Food and Beverage	177.3	232.8	234.6
Performance Chemicals, Fine Chemicals and Industrial	335.7	290.2	275.7
Total Specialty Chemicals	700.1	712.0	706.5
Mineral Products(1)	87.3	71.9	80.7
Net sales	$ 787.4	$ 783.9	$ 787.2
Operating income(2):			
Personal Care(3)	$ 47.1	$ 33.2	$ 34.0
Pharmaceutical, Food and Beverage	40.7	48.0	48.5
Performance Chemicals, Fine Chemicals and Industrial	44.0	4.4	18.5
Total Specialty Chemicals	131.8	85.6	101.0
Mineral Products	16.1	9.4	10.7
Total segment operating income	147.9	95.0	111.7
Unallocated corporate office (expenses) income	(1.0)	1.7	1.0
(Provision) benefit for restructuring(4)	(0.4)	(14.4)	0.5
Total operating income	146.5	82.3	113.2
Interest expense and other income (expense), net	(83.5)	47.8	(107.4)
Income from continuing operations before income taxes	$ 63.0	$ 130.1	$ 5.8
Assets:			
Specialty Chemicals	$1,182.0	$1,173.3	$1,251.3
Mineral Products	153.3	152.9	147.5
General Corporate(5)	469.8	597.3	750.6
Total assets	$1,805.1	$1,923.5	$2,149.4
Capital expenditures and acquisitions:			
Specialty Chemicals	$ 101.4	$ 53.8	$ 95.9
Mineral Products	7.5	4.6	5.5
Total	$ 108.9	$ 58.4	$ 101.4
Depreciation and amortization of goodwill and intangibles:			
Specialty Chemicals	$ 53.0	$ 55.9	$ 59.1
Mineral Products	11.4	11.0	10.7
Total	$ 64.4	$ 66.9	$ 69.8

(1) Includes sales to BMCA and its subsidiaries of $57.3, $59.3 and $63.4 million for 1999, 2000 and 2001, respectively.

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(2) Operating income for 1999 and 2000 for the three Specialty Chemicals business segments has been reclassified to conform to the 2001 presentation, based on a reallocation of certain manufacturing costs.

(3) Personal Care operating income for the year 1999 includes a pre-tax gain of $8.5 million from the sale of the pearlescent pigments product line. See Note 7.

(4) Of the $14.4 million provision for restructuring in 2000, $11.9 million relates to the Personal Care business segment and $2.5 million relates to the Performance Chemicals, Fine Chemicals and Industrial business segment. Of the $0.5 million reversal of restructuring reserves in 2001, $0.4 million relates to the Personal Care business segment and $0.1 million relates to the Performance Chemicals, Fine Chemicals and Industrial business segment.

(5) General Corporate assets primarily represent the Company's investments in trading and available-for-sale securities and other short-term investments which, in 2001, are held in a separate wholly owned subsidiary of the Company, ISP Investco Inc., for general corporate purposes and are not allocated to business segments. The year 2001 also includes $307.9 million of restricted cash which was used to redeem the remaining 2003 Notes on January 14, 2002 (see Note 15).

NOTE 20. GEOGRAPHIC INFORMATION

Financial information set forth below for foreign operations represents sales and long-lived assets (property, plant and equipment) of foreign-based subsidiaries. Net sales are attributed to countries based on the location of customers and reflect the Company's internal management reporting system.

	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
		(MILLIONS)	
Net sales:			
North America:			
United States	$410.5	$389.5	$376.9
Canada	16.9	21.1	22.0
Total North America	427.4	410.6	398.9
Europe:			
Germany	89.0	73.0	78.6
United Kingdom	39.8	35.6	33.3
France	17.3	19.7	21.5
Italy	15.9	14.1	15.8
Spain	11.4	11.2	13.0
Belgium	5.6	10.5	13.1
Switzerland	7.7	9.3	11.3
Other European countries	47.4	54.0	54.0
Total Europe	234.1	227.4	240.6

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	YEAR ENDED DECEMBER 31,		
	1999	2000	2001
		(MILLIONS)	
Asia-Pacific:			
Japan	24.7	26.3	27.2
South Korea	9.3	13.9	16.0
China	12.7	15.9	9.2
Australia	11.5	10.9	10.2
Taiwan	9.6	11.7	8.8
Other Asia-Pacific countries	21.1	21.6	26.8
Total Asia-Pacific	88.9	100.3	98.2
Latin America:			
Mexico	12.3	19.6	19.4
Brazil	12.7	16.6	16.4
Other Latin American countries	12.0	9.4	13.7
Total Latin America	37.0	45.6	49.5
Total net sales	$787.4	$783.9	$787.2
Property, plant and equipment, net:			
United States	$491.1	$490.8	$490.1
Germany	48.0	43.7	36.9
United Kingdom	11.3	11.3	12.1
All other foreign countries	14.8	12.9	17.9
Total property, plant and equipment, net	$565.2	$558.7	$557.0

Approximately 52% of the Company's sales in 2001 were in foreign countries which are subject to currency exchange rate fluctuation risks. See Note 2 for a discussion of the Company's policy to manage these risks. Certain countries in which the Company has sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.

NOTE 21. COMMITMENTS AND CONTINGENCIES

ASBESTOS LITIGATION AGAINST G-I HOLDINGS

In January 2001, G-I Holdings filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code due to its asbestos-related bodily injury claims relating to the inhalation of asbestos fiber ("Asbestos Claims"). Neither the Company nor the assets or operations of the Company, which was operated as a division of a corporate predecessor of G-I Holdings prior to July 1986, have been involved in the manufacture or sale of asbestos products. The Company believes that it should have no legal responsibility for damages in connection with Asbestos Claims.

ISP has been advised by its Chairman of the Board, Samuel J. Heyman, that in 2000, three actions were commenced by creditors or potential creditors of G-I Holdings, two of which were filed against Mr. Heyman and the third against Mr. Heyman and certain other stockholders of G-I Holdings. Two of the actions commenced in 2000 were effectively stayed and the third was dismissed as a result of the G-I Holdings Chapter 11 filing. In September 2001, the Official Committee of Unsecured Creditors of G-I Holdings filed a substantially similar action against Mr. Heyman. The actions allege, among other

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things, that the distribution by G-I Holdings of the capital stock of ISP to Mr. Heyman and certain G-I Holdings stockholders in January 1997 was without fair consideration and a fraudulent conveyance. These actions seek, among other things, to set aside such distribution and to require Mr. Heyman and such other stockholders to return to G-I Holdings the capital stock of ISP held by them as well as an unspecified amount of damages. The defendants in such actions have advised ISP that they believe these actions are without merit and that the defendants intend to vigorously oppose them. However, if such actions were successful, the plaintiffs could seek to undo such distribution, which could result in a change of control of ISP. See Note 15 for a discussion of the Senior Credit Facilities.

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, Resource Conservation and Recovery Act and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites or remedial obligations are imposed, a number of which Environmental Claims are in the early stages or have been dormant for protracted periods.

The Company estimates that its liability with respect to all Environmental Claims (including those relating to its closed Linden, New Jersey plant described below), and certain other environmental compliance expenses, as of March 31, 2002, is approximately $24.1 million, before reduction for insurance recoveries reflected on the Company's Consolidated Balance Sheet (discussed below) of $21.7 million that relate to both past expenses and estimated future liabilities ("estimated recoveries"). While the Company cannot predict whether adverse decisions or events can occur in the future, in the opinion of the Company's management, the resolution of the Environmental Claims should not be material to the business, liquidity, results of operations, cash flows or financial position of the Company. However, adverse decisions or events, particularly as to increases in remedial costs, discovery of new contamination, assertion of natural resource damages, plans for development of the Linden, New Jersey property, and 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 those 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 that the recoveries could be in excess of the current estimated liability for all Environmental Claims, although there can be no assurance in this regard. 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 those claims.

In June 1997, G-I Holdings commenced litigation against the insurers on behalf of itself and its predecessors, successors, subsidiaries and related corporate entities 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, the Company 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 the Company's performance. This Consent Order does not address any potential natural resource damage claims for which an estimate cannot currently be made. In April 1993, the 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. The Company believes, although it cannot be certain,

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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 approximately $17.0 million.

PURCHASE AND LEASE COMMITMENTS

Two of the Company's three suppliers of acetylene, a significant raw material used in the production of most of its specialty chemicals at its Texas City and Calvert City manufacturing facilities, provide this raw material pursuant to take-or-pay supply contracts. These contracts have terms extending to June 2003 and December 2010, respectively, and cannot be terminated except for cause or if the facility is closed.

Leases for certain equipment at the Company's mineral products plants are accounted for as capital leases and are included in "Property, plant and equipment, net," at December 31, 2000 and 2001 in the amount of $0.9 and $0.4 million, respectively. The Company has an operating lease for a sale-leaseback transaction related to its Freetown, Massachusetts manufacturing facility, which was entered into in 1998. The lease has an initial term of four years and, at the Company's option, up to three one-year renewal periods. The lease provides for a substantial guaranteed payment by the Company at the end of each renewal period and includes purchase and return options at fair market values determined at the inception of the lease. The table of future minimum operating lease payments below excludes any payment related to the guaranteed payment which is due upon termination of the lease. The Company has the right to exercise a purchase option with respect to the leased facility, or the facility can be returned to the lessor and sold to a third party. The Company is obligated to pay a maximum guaranteed payment amount upon the return of the facility. At March 31, 2002, the maximum amount due relative to the return of facility provision was $35.8 million. This maximum payment amount would be reduced by 50% of any proceeds from the subsequent sale of the facility in excess of $5.2 million. The Company also has operating leases for transportation, production and data processing equipment and for various buildings and offices. Rental expense on operating leases was $17.3, $17.9 and $17.4 million for 1999, 2000 and 2001, respectively. Future minimum lease payments for properties which were held under long-term noncancelable leases and future obligations under unconditional purchase contracts as of December 31, 2001 were as follows:

	CAPITAL LEASES	OPERATING LEASES	UNCONDITIONAL PURCHASE OBLIGATIONS
		(THOUSANDS)	
2002	$140	$10,585	$ 4,522
2003	144	9,739	3,805
2004	4	8,542	3,080
2005	1	7,251	3,115
2006	--	1,223	3,150
Later years	--	7,009	12,950
Total minimum payments	289	$44,349	$30,622
Less interest included above	(18)		
Present value of net minimum lease payments	$271		

OTHER MATTERS

The Company has received site designation for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property and has received approval from the New Jersey Turnpike Authority for a direct access ramp extension from the New Jersey Turnpike to the site. If the Company is successful in securing the necessary permits to construct and operate the hazardous

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waste facility and decides to proceed with this project, the Company would develop and operate the facility in a separate subsidiary, either on its own or in a joint venture with a suitable partner. The Company 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. The Company anticipates utilizing internally generated cash and/or seeking project or other independent financing for this project. Accordingly, the Company would not expect such facility to impact materially its liquidity or capital resources. The Company is also investigating other development opportunities at this site consistent with a plan by the County of Union to re-develop the Tremley Point area of Linden. The Company expects that related planning and evaluation efforts will continue through 2002. The net book value of the Linden property at December 31, 2001 was $15.8 million.

See Note 10 for information regarding additional contingencies.

NOTE 22. SUBSEQUENT EVENTS

On April 19, 2002, ISP announced the sale of its Haifa, Israel-based FineTech, Ltd. business to Pharmaceutical Resources, Inc., for $32 million. The Company will record a second quarter pre-tax gain, before expenses, of approximately $5.8 million related to this transaction. See also Notes 6 and 11.

On April 26, 2002, the Company announced that it had acquired the roofing granule manufacturing operations in Ione, California of Reed Minerals, a division of Harsco Corporation. In a related transaction, the Company also acquired the adjacent quarry operations and certain mining assets from Hanson Aggregates Mid-Pacific, Inc.

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INTERNATIONAL SPECIALTY HOLDINGS INC.

SUPPLEMENTARY DATA (UNAUDITED)
QUARTERLY FINANCIAL DATA (UNAUDITED)

	2000 BY QUARTER				2001 BY QUARTER			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
	(MILLIONS)							
Net sales	$197.9	$200.3	$195.9	$189.8	$203.2	$203.3	$188.6	$192.1
Cost of products sold	129.4	127.0	129.7	128.5	133.3	122.3	114.9	130.3
Gross profit	$ 68.5	$ 73.3	$ 66.2	$ 61.3	$ 69.9	$ 81.0	$ 73.7	$ 61.8
Operating income(1)	$ 25.7	$ 29.8	$ 24.1	$ 2.7	$ 26.1	$ 35.7	$ 30.7	$ 20.7
Income (loss) before income taxes	$ 9.9	$ 11.8	$ 38.8	$ 69.6	$ 32.7	$ 7.6	$ (3.4)	$(31.1)
Income tax (provision) benefit	(3.3)	(4.3)	(13.6)	(24.5)	(11.5)	(2.7)	1.2	10.9
Income (loss) before cumulative effect of change in accounting principle	6.6	7.5	25.2	45.1	21.2	4.9	(2.2)	(20.2)
Cumulative effect of change in accounting principle, net of income tax benefit	--	--	--	--	(0.4)	--	--	--
Net income (loss)	$ 6.6	$ 7.5	$ 25.2	$ 45.1	$ 20.8	$ 4.9	$ (2.2)	$(20.2)

(1) Operating income for the fourth quarter of 2000 reflects a provision for restructuring of $14.4 million. See Note 5 to Consolidated Financial Statements.

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SCHEDULE II

INTERNATIONAL SPECIALTY HOLDINGS INC.

VALUATION AND QUALIFYING ACCOUNTS
YEAR ENDED DECEMBER 31, 1999

DESCRIPTION	BALANCE JANUARY 1, 1999	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE DECEMBER 31, 1999
		(THOUSANDS)		
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts.....	$ 2,494	$2,026	$ 1,109(a)	$ 3,411
Reserve for inventory market valuation.....	21,360	5,063	11,275(a)	15,148
Reserves for restructuring and staff reduction.....	9,342	2,273(c)	10,291(d)	1,324

YEAR ENDED DECEMBER 31, 2000

DESCRIPTION	BALANCE JANUARY 1, 2000	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER	BALANCE DECEMBER 31, 2000
			(THOUSANDS)		
Valuation and Qualifying Accounts Deducted From Assets to which They Apply:					
Allowance for doubtful accounts.....	$ 3,411	$ 1,934	$ 434(a)	$ --	$ 4,911
Reserve for inventory market valuation.....	15,148	11,902	8,535(a)	3,798(b)	22,313
Reserves for restructuring and staff reduction.....	1,324	3,613	1,324	--	3,613

YEAR ENDED DECEMBER 31, 2001

DESCRIPTION	BALANCE JANUARY 1, 2001	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE DECEMBER 31, 2001
		(THOUSANDS)		
Valuation and Qualifying Accounts Deducted From Assets to which They Apply:				
Allowance for doubtful accounts.....	$ 4,911	$ 2,474	$1,913(a)	$ 5,472
Reserve for inventory market valuation.....	22,313	10,427	4,708(a)	28,032
Reserves for restructuring and staff reduction.....	3,613	--	3,613(e)	--

Notes:

(a) Represents write-off of uncollectible accounts net of recoveries, and the effects of foreign currency translation.

(b) Represents balance acquired in acquisitions.

(c) Reflects a reserve established for a staff reduction program in 1999 (see Note 5 to Consolidated Financial Statements).

(d) Includes $1,863 of excess reserves which were reversed and credited to the Consolidated Statement of Income (see Note 5 to Consolidated Financial Statements).

(e) Includes $471 of excess reserves which were reversed and credited to the Consolidated Statement of Income (see Note 5 to Consolidated Financial Statements).

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WE HAVE NOT AUTHORIZED ANY DEALER, SALESPERSON OR OTHER PERSON TO GIVE ANY INFORMATION OR REPRESENT ANYTHING NOT CONTAINED IN THIS PROSPECTUS. YOU MUST NOT RELY ON ANY UNAUTHORIZED INFORMATION. THIS PROSPECTUS DOES NOT OFFER TO SELL OR BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL. THE INFORMATION IN THIS PROSPECTUS IS CURRENT AS OF , 2002.

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$200,000,000

[ISP LOGO]

INTERNATIONAL SPECIALTY HOLDINGS INC.

10 5/8% SENIOR SECURED NOTES DUE 2009

PROSPECTUS

, 2002

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The registrant is a Delaware corporation. Subsection (b)(7) of Section 102 of the Delaware General Corporation Law enables a corporation in its original certificate of incorporation or an amendment to its certificate of incorporation 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 (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (4) for any transactions from which a director derived an improper personal benefit. The certificate of incorporation of the registrant 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 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 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.

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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.

The registrant's By-Laws states that the registrant 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 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 such registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES,

(a) Exhibits

EXHIBIT NUMBER		DESCRIPTION
*3.1	--	Certificate of Incorporation of International Specialty Holdings Inc.
*3.2	--	By-laws of International Specialty Holdings Inc.
4.1	--	Indenture, dated as of December 13, 2001, between International Specialty Holdings Inc., as issuer and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.4 to ISP's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (the "ISP 2001 Form 10-K")).
4.2	--	Form of Notes (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.4 to the ISP 2001 Form 10-K).
4.3	--	A/B Exchange Registration Rights Agreement, dated as of December 13, 2001, by and among International Specialty Holdings Inc., as issuer, and Bear Stearns & Co. Inc. and UBS Warburg LLC as initial purchasers (incorporated by reference to Exhibit 4.5 to the ISP 2001 Form 10-K).
4.4	--	Indenture, dated as of June 27, 2001, between ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as issuers, the subsidiary guarantors party thereto, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of ISP Chemco Inc. (Registration No. 333-70144) (the "ISP Chemco S-4")).
4.5	--	Amendment No. 1 to Indenture, dated as of November 13, 2001, between ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as issuers, the subsidiary guarantors party thereto, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-4 of ISP Chemco Inc. (Registration No. 333-75574) (the "Second ISP Chemco S-4").
4.6	--	Registration Rights Agreement, dated as of November 13, 2001, by and among ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as issuers, the subsidiary guarantors party thereto, and UBS Warburg LLC, as initial purchaser (incorporated by reference to Exhibit 4.5 to the Second ISP Chemco S-4).

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EXHIBIT NUMBER		DESCRIPTION
*5.1	--	Opinion of Weil, Gotshal & Manges LLP
10.1	--	Tax Sharing Agreement, dated as of January 1, 2001, by and among International Specialty Products Inc., International Specialty Holdings Inc. and ISP Chemco Inc. (incorporated by reference to Exhibit 10.8 to the Second ISP Chemco S-4).
10.2	--	Amended and Restated Management Agreement, dated as of January 1, 1999, by and among GAF Corporation, G-I Holdings Inc., G Industries Corp., Merick Inc., GAF Fiberglass Corporation, International Specialty Products Inc., GAF Building Materials Corporation, GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Opco Holdings Inc. (incorporated by reference to Exhibit 10.1 to Building Materials Corporation of America's Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
10.3	--	Amendment No. 1 to the Amended and Restated Management Agreement, dated as of January 1, 2000 by and among GAF Corporation, G-I Holdings Inc., G Industries Corp., Merick Inc., GAF Fiberglass Corporation, International Specialty Products Inc., GAF Building Materials Corporation, GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Opco Holdings Inc., as assignee of International Specialty Products Inc. (incorporated by reference to Exhibit 10.2 to ISP's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (the "ISP 1999 Form 10-K")).
10.4	--	Amendment No. 2 to the Amended and Restated Management Agreement, dated as of January 1, 2001 by and among G-I Holdings Inc., Merick Inc., International Specialty Products Inc., GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Opco Holdings Inc., as assignee of International Specialty Products Inc. (incorporated by reference to Exhibit 10.3 to ISP's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "ISP 2000 Form 10-K")).
10.5	--	Amendment No. 3 to the Amended and Restated Management Agreement, dated as of June 27, 2001 by and among G-I Holdings Inc., Merick Inc., International Specialty Products Inc., ISP Investco LLC, GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Management Company, Inc., as assignee of ISP Chemco Inc. (incorporated by reference to Exhibit 10.7 to the Chemco S-4).
10.6	--	Amendment No. 4 to the Management Agreement, dated as of January 1, 2002 by and among G-I Holdings Inc., Merick Inc., International Specialty Products Inc., ISP Investco LLC, GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Management Company, Inc., as assignee of ISP Chemco Inc. (incorporated by reference to the ISP 2001 Form 10-K).
10.7	--	Indemnification Agreement, dated as of October 18, 1996, among GAF Corporation, G-I Holdings Inc., ISP Holdings Inc., G Industries Corp. and GAF Fiberglass Corporation (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-4 of ISP Holdings (Registration No. 333-17827).
10.8	--	Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 of International Specialty Products Inc. (Registration No. 333-40351)).
10.9	--	Credit Agreement, dated as of June 27, 2001, between ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as borrowers, the subsidiary guarantors party thereto, the lenders party thereto, The Chase Manhattan Bank, as administrative agent, J.P. Morgan Securities Inc., as advisor, lead arranger and bookrunner, Bear Stearns Corporate Lending Inc. and UBS Warburg LLC, as co-syndication agents, and Deutsche Bank Alex. Brown Inc. and The Bank of Nova Scotia, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Chemco S-4).
10.10	--	Amendment No. 1 to Credit Agreement, dated as of July 24, 2001, by and among ISP Chemco Inc., ISP Chemicals Inc., ISP Technologies Inc. and ISP Minerals Inc., as borrowers, and The Chase Manhattan Bank, as administrative agent (incorporated by reference to Exhibit 10.2 to the Chemco S-4).

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EXHIBIT NUMBER		DESCRIPTION
10.11	--	Pledge and Security Agreement, dated as of June 27, 2001, among ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as borrowers, the subsidiary guarantors party thereto, The Chase Manhattan Bank, as administrative agent, J.P. Morgan Securities Inc., as advisor, lead arranger and bookrunner, Bear Stearns Corporate Lending Inc. and UBS Warburg LLC, as co-syndication agents, and Deutsche Bank Alex. Brown Inc. and The Bank of Nova Scotia, as co-documentation agents (incorporated by reference to Exhibit 10.3 to the Chemco S-4).
*12.1	--	Computation of Ratio of Earnings to Fixed Charges.
*23.1	--	Consent of Arthur Andersen LLP.
*23.2	--	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 5.1).
**24	--	Power of Attorney.
*25	--	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Wilmington Trust Company, as Trustee under the Indenture.
**99.1	--	Letter to Securities and Exchange Commission pursuant to Temporary Note 3T, dated March 26, 2002.
*99.2	--	Form of Letter of Transmittal.
*99.3	--	Form of Notice of Guaranteed Delivery.

* Filed herewith.
** Previously filed.

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 a 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, each 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 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.

(d) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) If the Registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided, that the Registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or
Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

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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 Township of Wayne, State of New Jersey, on the 15th day of May 2002.

INTERNATIONAL SPECIALTY HOLDINGS INC.

By: /s/ SUSAN B. YOSS
Name: Susan B. Yoss
Title: Executive Vice President -- Finance and Treasurer

SIGNATURE	TITLE	DATE
* Samuel J. Heyman	Chairman of the Board and Director	May 15, 2002
* Sunil Kumar	Chief Executive Officer, President and Director (Principal Executive Officer)	May 15, 2002
* Richard A. Weinberg	Executive Vice President, General Counsel, Secretary and Director	May 15, 2002
/s/ SUSAN B. YOSS Susan B. Yoss	Executive Vice President -- Finance and Treasurer (Principal Financial and Accounting Officer)	May 15, 2002

*By: /s/ SUSAN B. YOSS
Susan B. Yoss
Attorney-in-fact

G-I_EPA0016428

EXHIBIT LIST

EXHIBIT NUMBER		DESCRIPTION
*3.1	--	Certificate of Incorporation of International Specialty Holdings Inc.
*3.2	--	By-laws of International Specialty Holdings Inc.
4.1	--	Indenture, dated as of December 13, 2001, between International Specialty Holdings Inc., as issuer and Wilmington Trust Company, as trustee. (incorporated by reference to Exhibit 4.4 to ISP's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (the "ISP 2001 Form 10-K").
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EXHIBIT NUMBER		DESCRIPTION
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10.6	--	Amendment No. 4 to the Management Agreement, dated as of January 1, 2002 by and among G-I Holdings Inc., Merick Inc., International Specialty Products Inc., ISP Investco LLC, GAF Broadcasting Company, Inc., Building Materials Corporation of America and ISP Management Company, Inc., as assignee of ISP Chemco Inc. (incorporated by reference to the ISP 2001 Form 10-K).
10.7	--	Indemnification Agreement, dated as of October 18, 1996, among GAF Corporation, G-I Holdings Inc., ISP Holdings Inc., G Industries Corp. and GAF Fiberglass Corporation (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-4 of ISP Holdings (Registration No. 333-17827).
10.8	--	Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 of International Specialty Products Inc. (Registration No. 333-40351)).
10.9	--	Credit Agreement, dated as of June 27, 2001, between ISP Chemco Inc., ISP Chemicals Inc., ISP Minerals Inc. and ISP Technologies Inc., as borrowers, the subsidiary guarantors party thereto, the lenders party thereto, The Chase Manhattan Bank, as administrative agent, J.P. Morgan Securities Inc., as advisor, lead arranger and bookrunner, Bear Stearns Corporate Lending Inc. and UBS Warburg LLC, as co-syndication agents, and Deutsche Bank Alex. Brown Inc. and The Bank of Nova Scotia, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Chemco S-4).
10.10	--	Amendment No. 1 to Credit Agreement, dated as of July 24, 2001, by and among ISP Chemco Inc., ISP Chemicals Inc., ISP Technologies Inc. and ISP Minerals Inc., as borrowers, and The Chase Manhattan Bank, as administrative agent (incorporated by reference to Exhibit 10.2 to the Chemco S-4).
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*12.1	--	Computation of Ratio of Earnings to Fixed Charges.
*23.1	--	Consent of Arthur Andersen LLP.
*23.2	--	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 5.1).
**24	--	Power of Attorney.
*25	--	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of Wilmington Trust Company, as Trustee under the Indenture.
**99.1	--	Letter to Securities and Exchange Commission pursuant to Temporary Note 3T, dated March 26, 2002.
*99.2	--	Form of Letter of Transmittal.
*99.3	--	Form of Notice of Guaranteed Delivery.

* Filed herewith.
** Previously filed.

CERTIFICATE OF INCORPORATION

OF

NEWCO 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 Newco Holdings Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, State of Delaware 19808. The name of the registered agent of the Corporation in the State of Delaware at such address is Corporation Service Company.

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 1,000, 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 5th day of June, 2001.

/s/ Shelley A. Sorkin

Shelley A. Sorkin
Sole Incorporator

CERTIFICATE OF AMENDMENT
OF THE

CERTIFICATE OF INCORPORATION
OF
NEWCO HOLDINGS INC.

ADOPTED IN ACCORDANCE WITH THE
PROVISIONS OF SECTION 242 OF THE
DELAWARE GENERAL CORPORATION LAW

It is hereby certified that:

1. The present name of the corporation (the "Corporation") is Newco Holdings Inc.

2. The Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on June 5, 2001.

3. Article First of the Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

"The name of the corporation (hereinafter called the "Corporation") is International Specialty Holdings Inc."

4. The foregoing amendment was declared advisable by a resolution duly adopted by unanimous written consent of the directors of the Corporation dated December 5, 2001, and was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law by the affirmative vote of the sole stockholder of the Corporation.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by Andrew J. Diamond, its Vice President and Assistant Treasurer, this 5th day of December, 2001.

NEWCO HOLDINGS INC.

By: /s/ Andrew J. Diamond

Andrew J. Diamond
Vice President and Assistant
Treasurer

BY-LAWS

OF

INTERNATIONAL SPECIALTY 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.

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.

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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.

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- 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 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.

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- 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.

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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 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.

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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, 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.

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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.

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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

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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 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.

Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, New York 10153

May 15, 2002

International Specialty Holdings Inc.
300 Delaware Avenue
Suite 303
Wilmington, DE 19801

Ladies and Gentlemen:

We have acted as counsel to International Specialty Holdings Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission of the Company's Registration Statement on Form S-4, Registration No. 333-82822 (as amended, the "Registration Statement"), under the Securities Act of 1933, as amended, relating to $200,000,000 aggregate principal amount of the Company's 10-5/8% Series B Senior Secured Notes due 2009 (the "Notes").

In so acting, we have examined originals or copies (certified or otherwise identified to our satisfaction) of the Registration Statement, the Indenture dated as of December 13, 2001, between the Company and Wilmington Trust Company, as trustee (the "Trustee"), pursuant to which the Notes will be issued (the "Indenture"), the form of the Notes attached as an exhibit to the Indenture, and such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that:

The Notes are duly authorized, and, when duly executed on behalf of the Company, authenticated by the Trustee and delivered in accordance with the terms of the Indenture and as contemplated by the Registration Statement, will constitute legal, valid and binding obligations of the Company, enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principals of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) and except that the waiver contained in Section 4.06 of the Indenture may be deemed unenforceable.

We consent to the use of this letter as an exhibit to the Registration Statement and to the use of our name therein in the prospectus which is a part of the Registration Statement under the caption "Legal Matters."

Very truly yours,

/s/ Weil, Gotshal & Manges LLP

EXHIBIT 12

INTERNATIONAL SPECIALTY HOLDINGS INC.

RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

(THOUSANDS, EXCEPT RATIO DATA)

	YEAR ENDED DECEMBER 31,					QUARTER ENDED		PRO FORMA	
	1997	1998	1999	2000	2001	APRIL 1, 2001	MARCH 31, 2002	YEAR 2001	1ST QTR 2002
Income from continuing operations before income taxes	$ 89,311	$ 16,307	$ 62,958	$130,114	$ 5,785	$35,671	$24,152	$ 1,863	$24,779
Add:									
Interest expense	76,575	77,456	80,666	84,250	88,931	17,232	22,842	92,853	22,215
Company's 50% share of joint venture income taxes	4,630	1,640	0	0	0	0	0	0	0
Company's 50% share of joint venture interest expense	31	0	0	0	0	0	0	0	0
Interest component of rental expense	3,233	5,033	5,767	5,967	5,815	1,454	1,526	5,815	1,526
Earnings available for fixed charges	$173,780	$100,436	$149,391	$220,331	$100,531	$54,357	$48,520	$100,531	$48,520
Fixed charges:									
Interest expense	$ 76,575	$ 77,456	$ 80,666	$ 84,250	$ 88,931	$17,232	$22,842	$ 92,853	$22,215
Add:									
Capitalized interest	974	2,309	1,090	751	355	109	47	355	47
Company's 50% share of joint venture interest expense	31	0	0	0	0	0	0	0	0
Interest component of rental expense	3,233	5,033	5,767	5,967	5,815	1,454	1,526	5,815	1,526
Total fixed charges	$ 80,813	$ 84,798	$ 87,523	$ 90,968	$ 95,101	$18,795	$24,415	$ 99,023	$23,788
Ratio of earnings to fixed charges	2.15	1.18	1.71	2.42	1.06	2.89	1.99	1.02	2.04

[ARTHUR ANDERSEN LOGO]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

International Specialty Holdings Inc.

As independent public accountants, we hereby consent to the use of our reports and to all references to our firm included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

Roseland, New Jersey
May 15, 2002

Registration No.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

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)

WILMINGTON TRUST COMPANY
(Exact name of trustee as specified in its charter)

Delaware	51-0055023
(State of incorporation)	(I.R.S. employer identification no.)

Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
(Address of principal executive offices)

Cynthia L. Corliss
Vice President and Trust Counsel
Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890
(302) 651-8516
(Name, address and telephone number of agent for service)

INTERNATIONAL SPECIALTY HOLDINGS INC.
(Exact name of obligor as specified in its charter)

Delaware	22-3807354
(State of incorporation)	(I.R.S. employer identification no.)

300 Delaware Avenue Suite 303 Wilmington, Delaware	19801
(Address of principal executive offices)	(Zip Code)

10 5/8% Series B Senior Secured Notes Due 2009
(Title of the indenture securities)

ITEM 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.

Federal Deposit Insurance Co. Five Penn Center Suite #2901 Philadelphia, PA	State Bank Commissioner Dover, Delaware

(b) Whether it is authorized to exercise corporate trust powers.

The trustee is authorized to exercise corporate trust powers.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each

affiliation:

Based upon an examination of the books and records of the trustee and upon information furnished by the obligor, the obligor is not an affiliate of the trustee.

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as part of this Statement of Eligibility and Qualification.

A. Copy of the Charter of Wilmington Trust Company, which includes the certificate of authority of Wilmington Trust Company to commence business and the authorization of Wilmington Trust Company to exercise corporate trust powers.

B. Copy of By-Laws of Wilmington Trust Company.

C. Consent of Wilmington Trust Company required by Section 321(b) of Trust Indenture Act.

D. Copy of most recent Report of Condition of Wilmington Trust Company.

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Wilmington Trust Company, a corporation organized and existing under the laws of Delaware, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Wilmington and State of Delaware on the 14th day of May, 2002.

WILMINGTON TRUST COMPANY

[SEAL]

Attest: /s/ Rosemary Pantano *Assistant Secretary*	*By: /s/ Bruce L. Bisson* *Name: Bruce L. Bisson* *Title: Vice President*

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EXHIBIT A
AMENDED CHARTER

WILMINGTON TRUST COMPANY

WILMINGTON, DELAWARE

AS EXISTING ON MAY 9, 1987

AMENDED CHARTER
OR

ACT OF INCORPORATION
OF

WILMINGTON TRUST COMPANY

WILMINGTON TRUST COMPANY, originally incorporated by an Act of the General Assembly of the State of Delaware, entitled "An Act to Incorporate the Delaware Guarantee and Trust Company", approved March 2, A.D. 1901, and the name of which company was changed to "WILMINGTON TRUST COMPANY" by an amendment filed in the Office of the Secretary of State on March 18, A.D. 1903, and the Charter or Act of Incorporation of which company has been from time to time amended and changed by merger agreements pursuant to the corporation law for state banks and trust companies of the State of Delaware, does hereby alter and amend its Charter or Act of Incorporation so that the same as so altered and amended shall in its entirety read as follows:

FIRST: - The name of this corporation is WILMINGTON TRUST COMPANY.

SECOND: - The location of its principal office in the State of Delaware is at Rodney Square North, in the City of Wilmington, County of New Castle; the name of its resident agent is WILMINGTON TRUST COMPANY whose address is Rodney Square North, in said City. In addition to such principal office, the said corporation maintains and operates branch offices in the City of Newark, New Castle County, Delaware, the Town of Newport, New Castle County, Delaware, at Claymont, New Castle County, Delaware, at Greenville, New Castle County Delaware, and at Milford Cross Roads, New Castle County, Delaware, and shall be empowered to open, maintain and operate branch offices at Ninth and Shipley Streets, 418 Delaware Avenue, 2120 Market Street, and 3605 Market Street, all in the City of Wilmington, New Castle County, Delaware, and such other branch offices or places of business as may be authorized from time to time by the agency or agencies of the government of the State of Delaware empowered to confer such authority.

THIRD: - (a) The nature of the business and the objects and purposes proposed to be transacted, promoted or carried on by this Corporation are to do any or all of the things herein mentioned as fully and to the same extent as natural persons might or could do and in any part of the world, viz.:

(1) To sue and be sued, complain and defend in any Court of law or equity and to make and use a common seal, and alter the seal at pleasure, to hold, purchase, convey, mortgage or otherwise deal in real and personal estate and property, and to appoint such officers and agents as the business of the Corporation shall require, to make by-laws not inconsistent with the Constitution or laws of the United States or of this State, to discount bills, notes or other evidences of debt, to receive deposits of money, or securities for money, to buy gold and silver bullion and foreign coins, to buy and sell bills of exchange, and generally to use,

exercise and enjoy all the powers, rights, privileges and franchises incident to a corporation which are proper or necessary for the transaction of the business of the Corporation hereby created.

(2) To insure titles to real and personal property, or any estate or interests therein, and to guarantee the holder of such property, real or personal, against any claim or claims, adverse to his interest therein, and to prepare and give certificates of title for any lands or premises in the State of Delaware, or elsewhere.

(3) To act as factor, agent, broker or attorney in the receipt, collection, custody, investment and management of funds, and the purchase, sale, management and disposal of property of all descriptions, and to prepare and execute all papers which may be necessary or proper in such business.

(4) To prepare and draw agreements, contracts, deeds, leases, conveyances, mortgages, bonds and legal papers of every description, and to carry on the business of conveyancing in all its branches.

(5) To receive upon deposit for safekeeping money, jewelry, plate, deeds, bonds and any and all other personal property of every sort and kind, from executors, administrators, guardians, public officers, courts, receivers, assignees, trustees, and from all fiduciaries, and from all other persons and individuals, and from all corporations whether state, municipal, corporate or private, and to rent boxes, safes, vaults and other receptacles for such property.

(6) To act as agent or otherwise for the purpose of registering, issuing, certificating, countersigning, transferring or underwriting the stock, bonds or other obligations of any corporation, association, state or municipality, and may receive and manage any sinking fund therefor on such terms as may be agreed upon between the two parties, and in like manner may act as Treasurer of any corporation or municipality.

(7) To act as Trustee under any deed of trust, mortgage, bond or other instrument issued by any state, municipality, body politic, corporation, association or person, either alone or in conjunction with any other person or persons, corporation or corporations.

(8) To guarantee the validity, performance or effect of any contract or agreement, and the fidelity of persons holding places of responsibility or trust; to become surety for any person, or persons, for the faithful performance of any trust, office, duty, contract or agreement, either by itself or in conjunction with any other person, or persons, corporation, or corporations, or in like manner become surety upon any bond, recognizance, obligation, judgment, suit, order, or

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decree to be entered in any court of record within the State of Delaware or elsewhere, or which may now or hereafter be required by any law, judge, officer or court in the State of Delaware or elsewhere.

(9) To act by any and every method of appointment as trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian, bailee, or in any other trust capacity in the receiving, holding, managing, and disposing of any and all estates and property, real, personal or mixed, and to be appointed as such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian or bailee by any persons, corporations, court, officer, or authority, in the State of Delaware or elsewhere; and whenever this Corporation is so appointed by any person, corporation, court, officer or authority such trustee, trustee in bankruptcy, receiver, assignee, assignee in bankruptcy, executor, administrator, guardian, bailee, or in any other trust capacity, it shall not be required to give bond with surety, but its capital stock shall be taken and held as security for the performance of the duties devolving upon it by such appointment.

(10) And for its care, management and trouble, and the exercise of any of its powers hereby given, or for the performance of any of the duties which it may undertake or be called upon to perform, or for the assumption of any responsibility the said Corporation may be entitled to receive a proper compensation.

(11) To purchase, receive, hold and own bonds, mortgages, debentures, shares of capital stock, and other securities, obligations, contracts and evidences of indebtedness, of any private, public or municipal corporation within and without the State of Delaware, or of the Government of the United States, or of any state, territory, colony, or possession thereof, or of any foreign government or country; to receive, collect, receipt for, and dispose of interest, dividends and income upon and from any of the bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property held and owned by it, and to exercise in respect of all such bonds, mortgages, debentures, notes, shares of capital stock, securities, obligations, contracts, evidences of indebtedness and other property, any and all the rights, powers and privileges of individual owners thereof, including the right to vote thereon; to invest and deal in and with any of the moneys of the Corporation upon such securities and in such manner as it may think fit and proper, and from time to time to vary or realize such investments; to issue bonds and secure the same by pledges or deeds of trust or mortgages of or upon the whole or any part of the property held or owned by the Corporation, and to sell and pledge such bonds, as and when the Board of Directors shall determine, and in the promotion of its said corporate business of investment and to the extent authorized by law, to lease, purchase, hold, sell, assign, transfer, pledge, mortgage and convey real

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and personal property of any name and nature and any estate or interest therein.

(b) In furtherance of, and not in limitation, of the powers conferred by the laws of the State of Delaware, it is hereby expressly provided that the said Corporation shall also have the following powers:

(1) To do any or all of the things herein set forth, to the same extent as natural persons might or could do, and in any part of the world.

(2) To acquire the good will, rights, property and franchises and to undertake the whole or any part of the assets and liabilities of any person, firm, association or corporation, and to pay for the same in cash, stock of this Corporation, bonds or otherwise; to hold or in any manner to dispose of the whole or any part of the property so purchased; to conduct in any lawful manner the whole or any part of any business so acquired, and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

(3) To take, hold, own, deal in, mortgage or otherwise lien, and to lease, sell, exchange, transfer, or in any manner whatever dispose of property, real, personal or mixed, wherever situated.

(4) To enter into, make, perform and carry out contracts of every kind with any person, firm, association or corporation, and, without limit as to amount, to draw, make, accept, endorse, discount, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments.

(5) To have one or more offices, to carry on all or any of its operations and businesses, without restriction to the same extent as natural persons might or could do, to purchase or otherwise acquire, to hold, own, to mortgage, sell, convey or otherwise dispose of, real and personal property, of every class and description, in any State, District, Territory or Colony of the United States, and in any foreign country or place.

(6) It is the intention that the objects, purposes and powers specified and clauses contained in this paragraph shall (except where otherwise expressed in said paragraph) be nowise limited or restricted by reference to or inference from the terms of any other clause of this or any other paragraph in this charter, but that the objects, purposes and powers specified in each of the clauses of this paragraph shall be regarded as independent objects, purposes and powers.

FOURTH: - (a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is forty-one million (41,000,000) shares, consisting of:

(1) One million (1,000,000) shares of Preferred stock, par value $10.00 per share (hereinafter referred to as "Preferred Stock"); and

(2) Forty million (40,000,000) shares of Common Stock, par value $1.00 per share (hereinafter referred to as "Common Stock").

(b) Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors each of said series to be distinctly designated. All shares of any one series of Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends, if any, thereon shall be cumulative, if made cumulative. The voting powers and the preferences and relative, participating, optional and other special rights of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the provisions of subparagraph 1 of Paragraph (c) of this Article FOURTH, the Board of Directors of the Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Preferred Stock, the voting powers and the designations, preferences and relative, optional and other special rights, and the qualifications, limitations and restrictions of such series, including, but without limiting the generality of the foregoing, the following:

(1) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(2) The rate and times at which, and the terms and conditions on which, dividends, if any, on Preferred Stock of such series shall be paid, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes, or series of the same or other class of stock and whether such dividends shall be cumulative or non-cumulative;

(3) The right, if any, of the holders of Preferred Stock of such series to convert the same into or exchange the same for, shares of any other class or classes or of any series of the same or any other class or classes of stock of the Corporation and the terms and conditions of such conversion or exchange;

(4) Whether or not Preferred Stock of such series shall be subject to redemption, and the redemption price or prices and the time or times at which, and the terms and conditions on which, Preferred Stock of such series may be redeemed.

(5) The rights, if any, of the holders of Preferred Stock of such series upon the voluntary or involuntary liquidation, merger, consolidation, distribution or sale

of assets, dissolution or winding-up, of the Corporation.

(6) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Preferred Stock of such series; and

(7) The voting powers, if any, of the holders of such series of Preferred Stock which may, without limiting the generality of the foregoing include the right, voting as a series or by itself or together with other series of Preferred Stock or all series of Preferred Stock as a class, to elect one or more directors of the Corporation if there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such circumstances and on such conditions as the Board of Directors may determine.

(c) (1) After the requirements with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of section (b) of this Article FOURTH), if any, shall have been met and after the Corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of section (b) of this Article FOURTH), and subject further to any conditions which may be fixed in accordance with the provisions of section (b) of this Article FOURTH, then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(2) After distribution in full of the preferential amount, if any, (fixed in accordance with the provisions of section (b) of this Article FOURTH), to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up, of the Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

(3) Except as may otherwise be required by law or by the provisions of such resolution or resolutions as may be adopted by the Board of Directors pursuant to section (b) of this Article FOURTH, each holder of Common Stock shall have one vote in respect of each share of Common Stock held on all matters voted upon by the stockholders.

(d) No holder of any of the shares of any class or series of stock or of options, warrants or other rights to purchase shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase or subscribe for any unissued stock of any class or series or any additional shares of any class or series to be issued by reason of any increase of the authorized capital stock of the Corporation of any class or series, or bonds, certificates of indebtedness, debentures or other securities

convertible into or exchangeable for stock of the Corporation of any class or series, or carrying any right to purchase stock of any class or series, but any such unissued stock, additional authorized issue of shares of any class or series of stock or securities convertible into or exchangeable for stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations, whether such holders or others, and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its sole discretion.

(e) The relative powers, preferences and rights of each series of Preferred Stock in relation to the relative powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in section (b) of this Article FOURTH and the consent, by class or series vote or otherwise, of the holders of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in the resolution or resolutions as to any series of Preferred Stock adopted pursuant to section (b) of this Article FOURTH that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

(f) Subject to the provisions of section (e), shares of any series of Preferred Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(g) Shares of Common Stock may be issued from time to time as the Board of Directors of the Corporation shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(h) The authorized amount of shares of Common Stock and of Preferred Stock may, without a class or series vote, be increased or decreased from time to time by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon.

FIFTH: - (a) The business and affairs of the Corporation shall be conducted and managed by a Board of Directors. The number of directors constituting the entire Board shall be not less than five nor more than twenty-five as fixed from time to time by vote of a majority of the whole Board, provided, however, that the number of directors shall not be reduced so as to shorten the term of any director at the time in

office, and provided further, that the number of directors constituting the whole Board shall be twenty-four until otherwise fixed by a majority of the whole Board.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the whole Board permits, with the term of office of one class expiring each year. At the annual meeting of stockholders in 1982, directors of the first class shall be elected to hold office for a term expiring at the next succeeding annual meeting, directors of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting and directors of the third class shall be elected to hold office for a term expiring at the third succeeding annual meeting. Any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum, and any directors so chosen shall hold office until the next annual election of directors. At such election, the stockholders shall elect a successor to such director to hold office until the next election of the class for which such director shall have been chosen and until his successor shall be elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

(c) Notwithstanding any other provisions of this Charter or Act of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that some lesser percentage may be specified by law, this Charter or Act of Incorporation or the By-Laws of the Corporation), any director or the entire Board of Directors of the Corporation may be removed at any time without cause, but only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at a meeting of the stockholders called for that purpose.

(d) Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Such nominations shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 14 days nor more than 50 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to stockholders. Notice of nominations which are proposed by the Board of Directors shall be given by the Chairman on behalf of the Board.

(e) Each notice under subsection (d) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of such nominee and (iii) the number of shares of

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stock of the Corporation which are beneficially owned by each such nominee.

(f) The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(g) No action required to be taken or which may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

SIXTH: - The Directors shall choose such officers, agents and servants as may be provided in the By-Laws as they may from time to time find necessary or proper.

SEVENTH: - The Corporation hereby created is hereby given the same powers, rights and privileges as may be conferred upon corporations organized under the Act entitled "An Act Providing a General Corporation Law", approved March 10, 1899, as from time to time amended.

EIGHTH: - This Act shall be deemed and taken to be a private Act.

NINTH: - This Corporation is to have perpetual existence.

TENTH: - The Board of Directors, by resolution passed by a majority of the whole Board, may designate any of their number to constitute an Executive Committee, which Committee, to the extent provided in said resolution, or in the By-Laws of the Company, shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it.

ELEVENTH: - The private property of the stockholders shall not be liable for the payment of corporate debts to any extent whatever.

TWELFTH: - The Corporation may transact business in any part of the world.

THIRTEENTH: - The Board of Directors of the Corporation is expressly authorized to make, alter or repeal the By-Laws of the Corporation by a vote of the majority of the entire Board. The stockholders may make, alter or repeal any By-Law whether or not adopted by them, provided however, that any such additional By-Laws, alterations or repeal may be adopted only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class).

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FOURTEENTH: - Meetings of the Directors may be held outside of the State of Delaware at such places as may be from time to time designated by the Board, and the Directors may keep the books of the Company outside of the State of Delaware at such places as may be from time to time designated by them.

FIFTEENTH: - (a) (1) In addition to any affirmative vote required by law, and except as otherwise expressly provided in sections (b) and (c) of this Article FIFTEENTH:

(A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with or into (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder), which, after such merger or consolidation, would be an Affiliate (as hereinafter defined) of an Interested Stockholder, or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate fair market value of $1,000,000 or more, or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of related transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of $1,000,000 or more, or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or

(E) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder, or any Affiliate of any Interested Stockholder,

shall require the affirmative vote of the holders of at least two-thirds of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article FIFTEENTH as one class ("Voting Shares"). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(2) The term "business combination" as used in this Article FIFTEENTH shall mean any transaction which is referred to in any one or more of clauses (A) through (E) of paragraph 1 of the section (a).

(b) The provisions of section (a) of this Article FIFTEENTH shall not be applicable to any particular business combination and such business combination shall require only such affirmative vote as is required by law and any other provisions of the Charter or Act of Incorporation or By-Laws if such business combination has been approved by a majority of the whole Board.

(c) For the purposes of this Article FIFTEENTH:

(1) A "person" shall mean any individual, firm, corporation or other entity.

(2) "Interested Stockholder" shall mean, in respect of any business combination, any person (other than the Corporation or any Subsidiary) who or which as of the record date for the determination of stockholders entitled to notice of and to vote on such business combination, or immediately prior to the consummation of any such transaction:

(A) is the beneficial owner, directly or indirectly, of more than 10% of the Voting Shares, or

(B) is an Affiliate of the Corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of not less than 10% of the then outstanding voting Shares, or

(C) is an assignee of or has otherwise succeeded in any share of capital stock of the Corporation which were at any time within two years prior thereto beneficially owned by any Interested Stockholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(3) A person shall be the "beneficial owner" of any Voting Shares:

(A) which such person or any of its Affiliates and Associates (as hereafter defined) beneficially own, directly or indirectly, or

(B) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise,

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or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or

(C) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation.

(4) The outstanding Voting Shares shall include shares deemed owned through application of paragraph (3) above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise.

(5) "Affiliate" and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981.

(6) "Subsidiary" shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1981) is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Investment Stockholder set forth in paragraph (2) of this section (c), the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(d) majority of the directors shall have the power and duty to determine for the purposes of this Article FIFTEENTH on the basis of information known to them, (1) the number of Voting Shares beneficially owned by any person (2) whether a person is an Affiliate or Associate of another, (3) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in paragraph (3) of section (c), or (4) whether the assets subject to any business combination or the consideration received for the issuance or transfer of securities by the Corporation, or any Subsidiary has an aggregate fair market value of $1,000,000 or more.

(e) Nothing contained in this Article FIFTEENTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

SIXTEENTH: Notwithstanding any other provision of this Charter or Act of Incorporation or the By-Laws of the Corporation (and in addition to any other vote that may be required by law, this Charter or Act of Incorporation by the By-Laws), the affirmative vote of the holders of at least two-thirds of the outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) shall be required to amend, alter or repeal any

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provision of Articles FIFTH, THIRTEENTH, FIFTEENTH or SIXTEENTH of this Charter or Act of Incorporation.

SEVENTEENTH: (a) a Director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Laws as the same exists or may hereafter be amended.

(b) Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a Director of the Corporation existing hereunder with respect to any act or omission occurring prior to the time of such repeal or modification."

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EXHIBIT B

BY-LAWS

WILMINGTON TRUST COMPANY

WILMINGTON, DELAWARE

AS EXISTING ON FEBRUARY 20, 2000

BY-LAWS OF WILMINGTON TRUST COMPANY

ARTICLE I
STOCKHOLDERS' MEETINGS

Section 1. The Annual Meeting of Stockholders shall be held on the third Thursday in April each year at the principal office at the Company or at such other date, time, or place as may be designated by resolution by the Board of Directors.

Section 2. Special meetings of all stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President.

Section 3. Notice of all meetings of the stockholders shall be given by mailing to each stockholder at least ten (10) days before said meeting, at his last known address, a written or printed notice fixing the time and place of such meeting.

Section 4. A majority in the amount of the capital stock of the Company issued and outstanding on the record date, as herein determined, shall constitute a quorum at all meetings of stockholders for the transaction of any business, but the holders of a small number of shares may adjourn, from time to time, without further notice, until a quorum is secured. At each annual or special meeting of stockholders, each stockholder shall be entitled to one vote, either in person or by proxy, for each share of stock registered in the stockholder's name on the books of the Company on the record date for any such meeting as determined herein.

ARTICLE II
DIRECTORS

Section 1. The authorized number of directors that shall constitute the Board of Directors shall be fixed from time to time by or pursuant to a resolution passed by a majority of the Board within the parameters set by the Charter of the Bank. No more than two directors may also be employees of the Company or any affiliate thereof.

Section 2. Except as provided in these Bylaws or as otherwise required by law, there shall be no qualifications for election or service as directors of the Company. In addition to any other provisions of these Bylaws, to be qualified for nomination for Election or appointment to the Board of Directors each person must have not attained the age of sixty nine years at the time of such election or appointment, provided however, the Nominating and Corporate Governance Committee may waive such qualification as to a particular candidate otherwise qualified to serve as a director upon a good faith determination by such committee that such a waiver is in the best interests of the Company and its stockholders. The Chairman of the Board of Directors shall not be qualified to continue to serve as a director upon the termination of his or her service in that

office for any reason.

Section 3. The class of Directors so elected shall hold office for three years or until their successors are elected and qualified.

Section 4. The affairs and business of the Company shall be managed and conducted by the Board of Directors.

Section 5. The Board of Directors shall meet at the principal office of the Company or elsewhere in its discretion at such times to be determined by a majority of its members, or at the call of the Chairman of the Board of Directors or the President.

Section 6. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors or by the President, and shall be called upon the written request of a majority of the directors.

Section 7. A majority of the directors elected and qualified shall be necessary to constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 8. Written notice shall be sent by mail to each director of any special meeting of the Board of Directors, and of any change in the time or place of any regular meeting, stating the time and place of such meeting, which shall be mailed not less than two days before the time of holding such meeting.

Section 9. In the event of the death, resignation, removal, inability to act, or disqualification of any director, the Board of Directors, although less than a quorum, shall have the right to elect the successor who shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, and until such director's successor shall have been duly elected and qualified.

Section 10. The Board of Directors at its first meeting after its election by the stockholders shall appoint an Executive Committee, a Trust Committee, an Audit Committee and a Compensation Committee, and shall elect from its own members a Chairman of the Board of Directors and a President who may be the same person. The Board of Directors shall also elect at such meeting a Secretary and a Treasurer, who may be the same person, may appoint at any time such other committees and elect or appoint such other officers as it may deem advisable. The Board of Directors may also elect at such meeting one or more Associate Directors.

Section 11. The Board of Directors may at any time remove, with or without cause, any member of any Committee appointed by it or any associate director or officer elected by it and may appoint or elect his successor.

Section 12. The Board of Directors may designate an officer to be in charge of such of

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the departments or divisions of the Company as it may deem advisable.

ARTICLE III
COMMITTEES

Section 1. Executive Committee

(A) The Executive Committee shall be composed of not more than nine members who shall be selected by the Board of Directors from its own members and who shall hold office during the pleasure of the Board.

(B) The Executive Committee shall have all the powers of the Board of Directors when it is not in session to transact all business for and in behalf of the Company that may be brought before it.

(C) The Executive Committee shall meet at the principal office of the Company or elsewhere in its discretion at such times to be determined by a majority of its members, or at the call of the Chairman of the Executive Committee or at the call of the Chairman of the Board of Directors. The majority of its members shall be necessary to constitute a quorum for the transaction of business. Special meetings of the Executive Committee may be held at any time when a quorum is present.

(D) Minutes of each meeting of the Executive Committee shall be kept and submitted to the Board of Directors at its next meeting.

(E) The Executive Committee shall advise and superintend all investments that may be made of the funds of the Company, and shall direct the disposal of the same, in accordance with such rules and regulations as the Board of Directors from time to time make.

(F) In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of the Company by its directors and officers as contemplated by these By-Laws any two available members of the Executive Committee as constituted immediately prior to such disaster shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Company in accordance with the provisions of Article III of these By-Laws; and if less than three members of the Trust Committee is constituted immediately prior to such disaster shall be available for the transaction of its business, such Executive Committee shall also be empowered to exercise all of the powers reserved to the Trust Committee under Article III Section 2 hereof. In the event of the unavailability, at such time, of a minimum of two members of such Executive Committee, any three available directors shall constitute the Executive Committee for the full conduct and management of the affairs and business of the Company in accordance with the foregoing provisions of this Section. This By-Law shall be subject to implementation by Resolutions of the

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Board of Directors presently existing or hereafter passed from time to time for that purpose, and any provisions of these By-Laws (other than this Section) and any resolutions which are contrary to the provisions of this Section or to the provisions of any such implementary Resolutions shall be suspended during such a disaster period until it shall be determined by any interim Executive Committee acting under this section that it shall be to the advantage of the Company to resume the conduct and management of its affairs and business under all of the other provisions of these By-Laws.

Section 2. Audit Committee

(A) The Audit Committee shall be composed of five members who shall be selected by the Board of Directors from its own members, none of whom shall be an officer of the Company, and shall hold office at the pleasure of the Board.

(B) The Audit Committee shall have general supervision over the Audit Division in all matters however subject to the approval of the Board of Directors; it shall consider all matters brought to its attention by the officer in charge of the Audit Division, review all reports of examination of the Company made by any governmental agency or such independent auditor employed for that purpose, and make such recommendations to the Board of Directors with respect thereto or with respect to any other matters pertaining to auditing the Company as it shall deem desirable.

(C) The Audit Committee shall meet whenever and wherever the majority of its members shall deem it to be proper for the transaction of its business, and a majority of its Committee shall constitute a quorum.

Section 3. Compensation Committee

(A) The Compensation Committee shall be composed of not more than five (5) members who shall be selected by the Board of Directors from its own members who are not officers of the Company and who shall hold office during the pleasure of the Board.

(B) The Compensation Committee shall in general advise upon all matters of policy concerning the Company brought to its attention by the management and from time to time review the management of the Company, major organizational matters, including salaries and employee benefits and specifically shall administer the Executive Incentive Compensation Plan.

(C) Meetings of the Compensation Committee may be called at any time by the Chairman of the Compensation Committee, the Chairman of the Board of Directors, or the President of the Company.

Section 4. Associate Directors

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(A) Any person who has served as a director may be elected by the Board of Directors as an associate director, to serve during the pleasure of the Board.

(B) An associate director shall be entitled to attend all directors meetings and participate in the discussion of all matters brought to the Board, with the exception that he would have no right to vote. An associate director will be eligible for appointment to Committees of the Company, with the exception of the Executive Committee, Audit Committee and Compensation Committee, which must be comprised solely of active directors.

Section 5. Absence or Disqualification of Any Member of a Committee

(A) In the absence or disqualification of any member of any Committee created under Article III of the By-Laws of this Company, 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.

ARTICLE IV
OFFICERS

Section 1. The Chairman of the Board of Directors shall preside at all meetings of the Board and shall have such further authority and powers and shall perform such duties as the Board of Directors may from time to time confer and direct. He shall also exercise such powers and perform such duties as may from time to time be agreed upon between himself and the President of the Company.

Section 2. The Vice Chairman of the Board. The Vice Chairman of the Board of Directors shall preside at all meetings of the Board of Directors at which the Chairman of the Board shall not be present and shall have such further authority and powers and shall perform such duties as the Board of Directors or the Chairman of the Board may from time to time confer and direct.

Section 3. The President shall have the powers and duties pertaining to the office of the President conferred or imposed upon him by statute or assigned to him by the Board of Directors. In the absence of the Chairman of the Board the President shall have the powers and duties of the Chairman of the Board.

Section 4. The Chairman of the Board of Directors or the President as designated by the Board of Directors, shall carry into effect all legal directions of the Executive Committee and of the Board of Directors, and shall at all times exercise general supervision over the interest, affairs and operations of the Company and perform all duties incident to his office.

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Section 5. There may be one or more Vice Presidents, however denominated by the Board of Directors, who may at any time perform all the duties of the Chairman of the Board of Directors and/or the President and such other powers and duties as may from time to time be assigned to them by the Board of Directors, the Executive Committee, the Chairman of the Board or the President and by the officer in charge of the department or division to which they are assigned.

Section 6. The Secretary shall attend to the giving of notice of meetings of the stockholders and the Board of Directors, as well as the Committees thereof, to the keeping of accurate minutes of all such meetings and to recording the same in the minute books of the Company. In addition to the other notice requirements of these By-Laws and as may be practicable under the circumstances, all such notices shall be in writing and mailed well in advance of the scheduled date of any other meeting. He shall have custody of the corporate seal and shall affix the same to any documents requiring such corporate seal and to attest the same.

Section 7. The Treasurer shall have general supervision over all assets and liabilities of the Company. He shall be custodian of and responsible for all monies, funds and valuables of the Company and for the keeping of proper records of the evidence of property or indebtedness and of all the transactions of the Company. He shall have general supervision of the expenditures of the Company and shall report to the Board of Directors at each regular meeting of the condition of the Company, and perform such other duties as may be assigned to him from time to time by the Board of Directors of the Executive Committee.

Section 8. There may be a Controller who shall exercise general supervision over the internal operations of the Company, including accounting, and shall render to the Board of Directors at appropriate times a report relating to the general condition and internal operations of the Company.

There may be one or more subordinate accounting or controller officers however denominated, who may perform the duties of the Controller and such duties as may be prescribed by the Controller.

Section 9. The officer designated by the Board of Directors to be in charge of the Audit Division of the Company with such title as the Board of Directors shall prescribe, shall report to and be directly responsible only to the Board of Directors.

There shall be an Auditor and there may be one or more Audit Officers, however denominated, who may perform all the duties of the Auditor and such duties as may be prescribed by the officer in charge of the Audit Division.

Section 10. There may be one or more officers, subordinate in rank to all Vice Presidents with such functional titles as shall be determined from time to time by the Board of

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Directors, who shall ex officio hold the office Assistant Secretary of this Company and who may perform such duties as may be prescribed by the officer in charge of the department or division to whom they are assigned.

Section 11. The powers and duties of all other officers of the Company shall be those usually pertaining to their respective offices, subject to the direction of the Board of Directors, the Executive Committee, Chairman of the Board of Directors or the President and the officer in charge of the department or division to which they are assigned.

ARTICLE V
STOCK AND STOCK CERTIFICATES

Section 1. Shares of stock shall be transferrable on the books of the Company and a transfer book shall be kept in which all transfers of stock shall be recorded.

Section 2. Certificates of stock shall bear the signature of the President or any Vice President, however denominated by the Board of Directors and countersigned by the Secretary or Treasurer or an Assistant Secretary, and the seal of the corporation shall be engraved thereon. Each certificate shall recite that the stock represented thereby is transferrable only upon the books of the Company by the holder thereof or his attorney, upon surrender of the certificate properly endorsed. Any certificate of stock surrendered to the Company shall be cancelled at the time of transfer, and before a new certificate or certificates shall be issued in lieu thereof. Duplicate certificates of stock shall be issued only upon giving such security as may be satisfactory to the Board of Directors or the Executive Committee.

Section 3. The Board of Directors of the Company is authorized to fix in advance a record date for the determination of the stockholders entitled to notice of, and to vote at, any meeting of stockholders and any adjournment thereof, or entitled to receive payment of any dividend, or to any allotment or rights, or to exercise any rights in respect of any change, conversion or exchange of capital stock, or in connection with obtaining the consent of stockholders for any purpose, which record date shall not be more than 60 nor less than 10 days proceeding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent.

ARTICLE VI
SEAL

Section 1. The corporate seal of the Company shall be in the following form:

Between two concentric circles the words

"Wilmington Trust Company" within the inner circle the words "Wilmington, Delaware."

ARTICLE VII
FISCAL YEAR

Section 1. The fiscal year of the Company shall be the calendar year.

ARTICLE VIII
EXECUTION OF INSTRUMENTS OF THE COMPANY

Section 1. The Chairman of the Board, the President or any Vice President, however denominated by the Board of Directors, shall have full power and authority to enter into, make, sign, execute, acknowledge and/or deliver and the Secretary or any Assistant Secretary shall have full power and authority to attest and affix the corporate seal of the Company to any and all deeds, conveyances, assignments, releases, contracts, agreements, bonds, notes, mortgages and all other instruments incident to the business of this Company or in acting as executor, administrator, guardian, trustee, agent or in any other fiduciary or representative capacity by any and every method of appointment or by whatever person, corporation, court officer or authority in the State of Delaware, or elsewhere, without any specific authority, ratification, approval or confirmation by the Board of Directors or the Executive Committee, and any and all such instruments shall have the same force and validity as though expressly authorized by the Board of Directors and/or the Executive Committee.

ARTICLE IX
COMPENSATION OF DIRECTORS AND MEMBERS OF COMMITTEES

Section 1. Directors and associate directors of the Company, other than salaried officers of the Company, shall be paid such reasonable honoraria or fees for attending meetings of the Board of Directors as the Board of Directors may from time to time determine. Directors and associate directors who serve as members of committees, other than salaried employees of the Company, shall be paid such reasonable honoraria or fees for services as members of committees as the Board of Directors shall from time to time determine and directors and associate directors may be employed by the Company for such special services as the Board of Directors may from time to time determine and shall be paid for such special services so performed reasonable compensation as may be determined by the Board of Directors.

ARTICLE X
INDEMNIFICATION

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Section 1. (A) The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, 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, fiduciary or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person. The Corporation shall indemnify a person in connection with a proceeding initiated by such person only if the proceeding was authorized by the Board of Directors of the Corporation.

(B) The Corporation shall pay the expenses incurred in defending any proceeding in advance of its final disposition, provided, however, that the payment of expenses incurred by a Director or officer in his capacity as a Director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Director or officer to repay all amounts advanced if it should be ultimately determined that the Director or officer is not entitled to be indemnified under this Article or otherwise.

(C) If a claim for indemnification or payment of expenses, under this Article X is not paid in full within ninety days after a written claim therefor has been received by the Corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification of payment of expenses under applicable law.

(D) The rights conferred on any person by this Article X shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Charter or Act of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested Directors or otherwise.

(E) Any repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE XI
AMENDMENTS TO THE BY-LAWS

Section 1. These By-Laws may be altered, amended or repealed, in whole or in part, and any new By-Law or By-Laws adopted at any regular or special meeting of the Board of

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Directors by a vote of the majority of all the members of the Board of Directors then in office.

EXHIBIT C

SECTION 321(b) CONSENT

Pursuant to Section 321(b) of the Trust Indenture Act of 1939, as amended, Wilmington Trust Company hereby consents that reports of examinations by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon requests therefor.

WILMINGTON TRUST COMPANY

Dated: May 14, 2002

By: /s/ Bruce L. Bisson

Name: Bruce L. Bisson
Title: Vice President

EXHIBIT D

NOTICE

This form is intended to assist state nonmember banks and savings banks with state publication requirements. It has not been approved by any state banking authorities. Refer to your appropriate state banking authorities for your state publication requirements.

R E P O R T O F C O N D I T I O N

Consolidating domestic subsidiaries of the

WILMINGTON TRUST COMPANY of WILMINGTON
Name of Bank City

in the State of DELAWARE , at the close of business on March 31, 2002.

ASSETS		Thousands of dollars
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coins		156,013
Interest-bearing balances		0
Held-to-maturity securities		15,075
Available-for-sale securities		1,087,652
Federal funds sold in domestic offices		320,870
Securities purchased under agreements to resell		45,000
Loans and lease financing receivables:		
Loans and leases held for sale	0	
Loans and leases, net of unearned income	5,137,765	
LESS: Allowance for loan and lease losses	74,525	
Loans and leases, net of unearned income, allowance, and reserve		5,063,240
Assets held in trading accounts		0
Premises and fixed assets (including capitalized leases)		129,905
Other real estate owned		504
Investments in unconsolidated subsidiaries and associated companies		1,488
Customers' liability to this bank on acceptances outstanding		0
Intangible assets:		
a. Goodwill		157
b. Other intangible assets		5,728
Other assets		140,061
Total assets		6,965,693

CONTINUED ON NEXT PAGE

LIABILITIES

Deposits:		
In domestic offices		5,367,187
Noninterest-bearing	833,892	
Interest-bearing	4,533,295	
Federal funds purchased in domestic offices		227,600
Securities sold under agreements to repurchase		180,060
Trading liabilities (from Schedule RC-D)		0
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases:		554,268
Bank's liability on acceptances executed and outstanding		0
Subordinated notes and debentures		0
Other liabilities (from Schedule RC-G)		103,786
Total liabilities		6,432,901

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0
Common Stock	500
Surplus (exclude all surplus related to preferred stock)	62,118
a. Retained earnings	464,677
b. Accumulated other comprehensive income	5,497
Total equity capital	532,792
Total liabilities, limited-life preferred stock, and equity capital	6,965,693

LETTER OF TRANSMITTAL

INTERNATIONAL SPECIALTY HOLDINGS INC.

OFFER TO EXCHANGE

10 5/8% SERIES B SENIOR SECURED NOTES DUE 2009

FOR ANY AND ALL OUTSTANDING

10 5/8% SERIES A SENIOR SECURED NOTES DUE 2009

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
,

2002 (THE "EXPIRATION DATE") UNLESS EXTENDED BY THE COMPANY.

WILMINGTON TRUST COMPANY

By Overnight Delivery or
Registered or Certified Mail:
Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Attn: Corporate Trust

By Hand in New York:
Wilmington Trust Company
c/o Computershare Trust
Company of New York
Wall Street Plaza
88 Pine Street, 19th Floor
New York, NY 10005
Attn: Wilmington Trust/ISP

By Hand in Delaware:
Wilmington Trust Company
1105 North Market Street
Wilmington, DE
Attn: Corporate Trust, 1st Floor

Facsimile Transmission Number:
(For Eligible Institutions Only)
(302) 651-1079

Confirm Receipt of Facsimile by Telephone:
(302) 651-1562

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges receipt of the Prospectus dated , 2002 (the "Prospectus") of International Specialty Holdings Inc. (the "Company"), and this Letter of Transmittal (the "Letter of Transmittal"), which together describe the Company's offer (the "Exchange Offer") to exchange $1,000 in principal amount of its 10 5/8% Series B Senior Secured Notes due 2009 (the "Registered Notes") for each $1,000 in principal amount of outstanding 10 5/8% Series A Senior Secured Notes due 2009 (the "Old Notes"). The terms of the Registered Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Old Notes for which they may be exchanged pursuant to the Exchange Offer, except that the Registered Notes are freely transferable by holders thereof (except as provided herein or in the Prospectus) and are not subject to any covenant regarding registration under the Securities Act of 1933, as amended (the "Securities Act").

The undersigned has checked the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW. YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and principal amounts should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES

NAME(S) AND ADDRESSES OF REGISTERED HOLDER(S) (PLEASE FILL-IN)	CERTIFICATE NUMBER(S)	AGGREGATE PRINCIPAL AMOUNT REPRESENTED BY OLD NOTES*	PRINCIPAL AMOUNT TENDERED**
	TOTAL		

* Need not be completed by book-entry holders.

** Unless otherwise indicated, the holder will be deemed to have tendered the full aggregate principal amount represented by such Old Notes. See Instruction 2.

This Letter of Transmittal is to be used either if certificates representing Old Notes are to be forwarded herewith or if delivery of Old Notes is to be made by book-entry transfer to an account maintained by the exchange agent at the Depository Trust Company (the "Book-Entry Transfer Facility"), pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering." Delivery of documents to the Book- Entry Transfer Facility does not constitute delivery to the exchange agent.

Holders whose Old Notes are not immediately available or who cannot deliver their Old Notes and all other documents required hereby to the exchange agent on or prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering."

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution(s)

The Depository Trust Company Account Number

Transaction Code Number

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:

Name of Registered Holder(s)

Name of Eligible Institution that Guaranteed Delivery

Date of Execution of Notice of Guaranteed Delivery

If Delivered by Book-Entry Transfer:

Account Number

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:

Name

Address

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Registered Notes. If the undersigned is a broker-dealer that will receive Registered Notes for its own account in exchange for Old Notes that were acquired as result of market-making activities or other trading activities (other than Old Notes acquired directly from the Company), it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Registered Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. Any holder who is an "affiliate" of the Company or who has an arrangement or understanding with respect to the distribution of the Registered Notes to be acquired pursuant to the Exchange Offer, or any broker-dealer who purchased Old Notes from the Company to resell pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act must comply with the registration and prospectus delivery requirements under the Securities Act.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

LADIES AND GENTLEMEN:

1. Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount at maturity of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.

2. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that: (i) any Registered Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Registered Notes, whether or not such person is the undersigned, (ii) neither the holder of such Old Notes nor any such other person is engaging in or intends to engage in a distribution of such Registered Notes, (iii) neither the holder of such Old Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Registered Notes and (iv) neither the holder of such Old Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.

3. The undersigned also acknowledges that the Exchange Offer is being made in reliance on an interpretation, made to third parties, by the staff of the Securities and Exchange Commission (the "SEC") that the Registered Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company 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 Registered Notes are acquired in the ordinary course of such holders' business, such holders are not engaging in and do not intend to engage in the distribution of such Registered Notes and such holders have no arrangements with any person to participate in the distribution of such Registered Notes. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Registered Notes. If the undersigned is a broker-dealer that will receive Registered Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such Registered Notes. However, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

4. The undersigned may, if, and only if, it would not receive freely tradable Registered Notes in the Exchange Offer or is not eligible to participate in the Exchange Offer, elect to have its Old Notes registered in the shelf registration described in the A/B Exchange Registration Rights Agreement, dated as of December 13, 2001, by and among the Company, Bear, Stearns & Co. Inc. and UBS Warburg LLC (the "Registration Agreement") in the form filed as Exhibit 4.6 to the Registration Statement of the Company, Registration No. 333-82822. Capitalized terms used in this paragraph 4 and not otherwise defined herein shall have the meanings given to them in the Registration Agreement. Such election may be made by checking the box under "Special Registration Instructions" below. By making such election, the undersigned agrees, as a holder of Old Notes participating in a Shelf Registration, to comply with the Registration Agreement and to indemnify and hold harmless the Company, its directors and officers, and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages, liabilities, judgments (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or any preliminary prospectus or prospectus forming a part thereof (or any amendment or supplement thereto), or 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 the undersigned specifically for inclusion therein. Any such indemnification shall be governed by the terms and subject to the conditions set forth in the Registration Agreement, including, without limitation, the provisions regarding notice, retention of counsel, contribution and payment of expenses set forth therein. The above summary of the indemnification provisions of the Registration Agreement is not intended to be exhaustive and is qualified in its entirety by the Registration Agreement.

5. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in the Prospectus under the caption "The Exchange Offer -- Withdrawal Rights." See Instruction 9.

6. Unless otherwise indicated in the box entitled "Special Issuance Instructions" below, please issue the Registered Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the Registered Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Notes."

THE UNDERSIGNED ACKNOWLEDGES THAT THE EXCHANGE OFFER IS SUBJECT TO THE MORE DETAILED TERMS SET FORTH IN THE PROSPECTUS AND, IN CASE OF ANY CONFLICT BETWEEN THE TERMS OF THE PROSPECTUS AND THIS LETTER, THE TERMS OF THE PROSPECTUS SHALL PREVAIL.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 2, 3, 4 AND 5)

To be completed ONLY if certificates for Old Notes not exchanged and/or Registered Notes are to be issued in the name of someone other than the person or persons whose signature(s) appear(s) on this Letter below, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue: Registered Notes and/or Old Notes to:

Name(s)*
(PLEASE TYPE OR PRINT)

(PLEASE TYPE OR PRINT)

Address:

ZIP CODE

* (SUCH PERSON(S) MUST PROPERLY COMPLETE A SUBSTITUTE FORM W-9, A FORM W-8BEN, A FORM W-8ECI, OR A FORM W-8IMY)

Credit unchanged Old Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

(BOOK-ENTRY TRANSFER FACILITY
ACCOUNT NUMBER, IF APPLICABLE)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3 AND 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or Registered Notes are to be sent to someone other than the person or persons whose signatures(s) appear(s) on this Letter below or to such person or persons at an address other than shown in the box entitled "Description of Old Notes" on this Letter above.

Mail Registered Notes and/or Old Notes to:

Name(s):*

(PLEASE TYPE OR PRINT)

(PLEASE TYPE OR PRINT)

Address:

ZIP CODE

* (SUCH PERSON(S) MUST PROPERLY COMPLETE A SUBSTITUTE FORM W-9, A FORM W-8BEN, A FORM W-8ECI, OR A FORM

SPECIAL REGISTRATION INSTRUCTIONS
(SEE PARAGRAPH 4 ABOVE)

To be completed ONLY IF (i) the undersigned satisfies the conditions set forth in paragraph 4 above, (ii) the undersigned elects to register its Old Notes in the shelf registration described in the Registration Agreement, and (iii) the undersigned agrees to comply with the Registration Agreement and to indemnify certain entities and individuals as set forth in paragraph 4 above.

[ ] By checking this box the undersigned hereby (i) represents that it is entitled to have its Old Notes registered in a shelf registration in accordance with the Registration Agreement, (ii) elects to have its Old Notes registered pursuant to the shelf registration described in the Registration Agreement, and
(iii) agrees to comply with the Registration Agreement and to indemnify certain entities and individuals identified in, and to the extent provided in, paragraph 4 above.

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)

X ---------- ---------- 2002
X ---------- ---------- 2002
X ---------- ---------- 2002
SIGNATURE(S) OF OWNER DATE

Area Code and Telephone Number

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):

Capacity:

Address:

SIGNATURE GUARANTEE
(IF REQUIRED BY INSTRUCTION 3)

Signature(s) Guaranteed by
an Eligible Institution:

(Authorized Signature)

(TITLE)

(NAME AND FIRM)

INSTRUCTIONS

1. DELIVERY OF THIS LETTER AND NOTES; GUARANTEED DELIVERY PROCEDURES.

This Letter is to be completed by holders of Old Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in the Prospectus under the caption "The Exchange Offer -- Book-Entry Transfer." Certificates for all physically tendered Old Notes, or book-entry confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile thereof), with any required signature guarantees, and any other documents required by this Letter, must be received by the exchange agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in denominations or principal amount at maturity of $1,000 or any integral multiple thereof.

Noteholders whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and any other required documents to the exchange agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering." Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) on or prior to 5:00 p.m., New York City time, on the Expiration Date, the exchange agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (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 this Letter 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 book-entry confirmation, as the case may be, and all other documents required by this Letter, must be received by the exchange agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Old Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the exchange agent. 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 prior to 5:00 p.m., New York City time, on the Expiration Date. No Letter of Transmittal or Old Notes should be sent to the Company.

See "The Exchange Offer" section in the Prospectus.

2. PARTIAL TENDERS.

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount at maturity of Old Notes to be tendered in the box above entitled "Description of Old Notes " under "Principal Amount Tendered." A reissued certificate representing the balance of nontendered Old Notes of a tendering holder who physically delivered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. All of the Old Notes delivered to the exchange agent will be deemed to have been tendered unless otherwise indicated.

3. SIGNATURES ON THIS LETTER; BOND POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

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When this Letter is signed by the registered holder or holders of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the Registered Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificates(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted with this Letter.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed 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" and collectively, "Eligible Institutions").

Signatures on the Letter need not be guaranteed by an Eligible Institution if (A) the Old Notes are tendered (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Old Notes) who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter, or (ii) for the account of an Eligible Institution and (B) the box entitled "Special Registration Instructions" on this Letter has not been completed.

4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS.

Tendering holders of Old Notes should indicate in the applicable box the name and address to which Registered Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated and such person named must properly complete a Substitute Form W-9, a Form W-8BEN, a Form W-8ECI, or a Form W-8IMY. Noteholders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such noteholder may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name and address of the person signing this Letter.

5. TRANSFER TAXES.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, Registered Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

6. WAIVER OF CONDITIONS.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

7. NO CONDITIONAL TENDERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Although the Company intends to notify holders of defects or irregularities with respect to tenders of Old Notes, neither the Company, the exchange agent nor any other person shall incur any liability for failure to give any such notice.

8. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES.

Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the exchange agent at the address indicated above for further instructions.

9. WITHDRAWAL OF TENDERS.

Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., 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 above prior to 5:00 p.m., 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 this Letter by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee under the Indenture pursuant to which the Old Notes were issued 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. Any Old Notes so properly withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. 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 Exchange Offer. Properly withdrawn Old Notes may be retendered by following the procedures described above at any time on or prior to 5:00 p.m., New York City time, on the Expiration Date.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes the Company's acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right to waive any defects, irregularities, or conditions of tender as to particular Old Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions of this Letter) will be final and binding on all parties.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus, this Letter and other related documents may be directed to the exchange agent, at the address and telephone number indicated above.

IMPORTANT TAX INFORMATION

Each prospective holder of Registered Notes to be issued pursuant to Special Issuance Instructions should complete the attached Substitute Form W-9. Under current federal income tax law, a holder of Registered Notes is required to provide the Company (as payor) with such holder's correct taxpayer identification number ("TIN") on Substitute Form W-9 or otherwise establish a basis for exemption from backup withholding to prevent any backup withholding on any payments received in respect of the Registered Notes. If a holder of Registered Notes is an individual, the TIN is such holder's social security number. If the Company is not provided with the correct taxpayer identification number, a holder of Registered Notes may be subject to a $50 penalty imposed by the Internal Revenue Service. The Substitute Form W-9 need not be completed if the box entitled Special Issuance Instructions has not been completed.

Certain holders of Registered Notes (including, among others, all corporations) are not subject to these backup withholding and reporting requirements. Exempt prospective holders of Registered Notes should indicate their exempt status on Substitute Form W-9. A foreign individual may qualify as an exempt recipient by submitting to the Company, through the exchange agent, the appropriate Internal Revenue Service Form W-8 (e.g., W-8BEN, Form W-8ECI or Form W-8IMY), properly completed and signed under penalty of perjury, attesting to the holder's exempt status. The appropriate Form W-8 will be provided by the exchange agent upon request. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Company is required to withhold up to 30% of any "reportable payment" made to the holder of Registered Notes or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding with respect to any payments received in respect of the Registered Notes, each prospective holder of Registered Notes to be issued pursuant to Special Issuance Instructions should provide the Company, through the exchange agent, with either: (i) such prospective holder's correct TIN by completing the form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such prospective holder is awaiting a TIN), that such prospective holder is a U.S. person (including a U.S. resident alien), and that (A) such prospective holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (B) the Internal Revenue Service has notified such prospective holder that he or she is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The prospective holder of Registered Notes to be issued pursuant to Special Issuance Instructions is required to give the exchange agent the TIN (e.g., social security number or employer identification number) of the prospective record owner of the Registered Notes. If the Registered Notes will be held in more than one name or are not held in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance regarding which number to report.

PAYORS'S NAME: INTERNATIONAL SPECIALTY HOLDINGS INC.		
SUBSTITUTE FORM W-9	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	SOCIAL SECURITY NUMBER(S) OR EMPLOYER IDENTIFICATION NUMBER(S)
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART 2 -- Certification -- Under penalties of perjury, I certify that: (1) the number shown on this form is my current taxpayer identification number (or I am waiting for a number to be issued to me), (2) I am not subject to backup withholding either because I am exempt from backup withholding, I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding, and (3) I am a U.S. person (including a U.S. resident alien).	
PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	Certificate Instructions -- You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you are subject to backup withholding you receive another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).	PART 3 Awaiting TIN [ ]
Signature ---------- Date ----------		

NOTE: FAILURE BY A PROSPECTIVE HOLDER OF REGISTERED NOTES TO BE ISSUED PURSUANT TO THE SPECIAL ISSUANCE INSTRUCTIONS ABOVE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF UP TO 30% OF ALL PAYMENTS MADE TO YOU IN RESPECT OF THE REGISTERED NOTES DELIVERABLE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver such an application in the near future. I understand that if I do not provide a taxpayer identification number within sixty (60) days, up to 30% of all reportable payments made to me thereafter will be withheld until I provide such a number.

Signature
---------- Date ----------, 2002

NOTICE OF GUARANTEED DELIVERY

INTERNATIONAL SPECIALTY HOLDINGS INC.

OFFER TO EXCHANGE

10 5/8% SERIES B SENIOR SECURED NOTES DUE 2009

FOR ANY AND ALL OUTSTANDING

10 5/8% SERIES A SENIOR SECURED NOTES DUE 2009

This form or one substantially equivalent hereto must be used by registered holders of outstanding 10 5/8% Series A Senior Secured Notes due 2009 (the "Old Notes") who wish to tender their Old Notes in exchange for a like principal amount of 10 5/8% Series B Senior Secured Notes due 2009 (the "Registered Notes") pursuant to the exchange offer described in the Prospectus dated , 2002 (the "Prospectus") if the holder's Old Notes are not immediately available or if such holder cannot deliver its Old Notes and Letter of Transmittal (and any other documents required by the Letter of Transmittal) to Wilmington Trust Company (the "Exchange Agent") prior to 5:00 p.m., New York City time, on , 2002. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight courier) or mail to the Exchange Agent. See "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery Procedures" in the Prospectus.

The Exchange Agent for the Exchange Offer is:

WILMINGTON TRUST COMPANY

By Overnight Delivery or Registered or Certified Mail:	By Hand in New York:	By Hand in Delaware:
Wilmington Trust Company Rodney Square North 1100 North Market Street Wilmington, DE 19890 Attn: Corporate Trust	Wilmington Trust Company c/o Computershare Trust Company of New York Wall Street Plaza 88 Pine Street, 19th Floor New York, NY 10005 Attn: Wilmington Trust/ISP	Wilmington Trust Company 1105 North Market Street Wilmington, DE Attn: Corporate Trust, 1st Floor

Facsimile Transmission Number:

(For Eligible Institutions Only)

(302) 651-1079

Confirm Receipt of Facsimile
by Telephone:

(302) 651-1562

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an eligible institution (as defined in the Prospectus), such signature guarantee must appear in the applicable space provided on the Letter of Transmittal for Guarantee of Signatures.

Ladies and Gentlemen:

The undersigned hereby tenders to International Specialty Holdings Inc. (the "Company") the principal amount of Old Notes indicated below, upon the terms and subject to the conditions contained in the Prospectus, receipt of which is hereby acknowledged.

DESCRIPTION OF SECURITIES TENDERED			
NAME OF TENDERING HOLDER	NAME AND ADDRESS OF REGISTERED HOLDER AS IT APPEARS ON THE OLD NOTES (PLEASE PRINT)	CERTIFICATE NUMBER(S) OF OLD NOTES TENDERED	PRINCIPAL AMOUNT OF OLD NOTES TENDERED

PLEASE SIGN HERE

X ---------- X ----------

X ---------- X ----------

X ---------- X ----------

SIGNATURE(S) OF OWNER DATE

Must be signed by the holder(s) of Old Notes as their name(s) appear(s) on certificates for Old Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s): ----------

Capacity: ----------

Address(es): ----------

[ ] The Depository Trust Company

(Check if Old Notes will be tendered by book-entry transfer)

Account Number:

THE GUARANTEE ON THE FOLLOWING PAGE MUST BE COMPLETED.

THE FOLLOWING GUARANTEE MUST BE COMPLETED
GUARANTEE OF DELIVERY
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees to deliver to the Exchange Agent at one of its addresses set forth above, the certificates representing the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guaranteed, and any other documents required by the Letter of Transmittal within three NYSE trading days after the date of execution of this Notice of Guaranteed Delivery.

Name of Firm:	
---	---
	(AUTHORIZED SIGNATURE)
Address:	Title:
---	---
	Name:
---	---
(ZIP CODE)	(PLEASE TYPE OR PRINT)
	Date:
---	---
AREA CODE AND TELEPHONE NO.	

NOTE: DO NOT SEND OLD NOTES WITH THIS NOTICE OF GUARANTEED DELIVERY. OLD NOTES

SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

End of Filing

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