

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 22, 1996

REGISTRATION NO. 333-285

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 SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
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AMENDMENT NO. 1

TO

FORM S-4  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933  
 -----

OCCIDENTAL PETROLEUM CORPORATION  
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) 10889 WILSHIRE BOULEVARD LOS ANGELES, CALIFORNIA 90024 (310) 208-8800 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)	2869 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	95-4035997 (I.R.S. EMPLOYER IDENTIFICATION NUMBER) DONALD P. DE BRIER, ESQ. GENERAL COUNSEL OCCIDENTAL PETROLEUM CORPORATION 10889 WILSHIRE BOULEVARD LOS ANGELES, CALIFORNIA 90024 (310) 443-6176 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)
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 COPY TO:  
 JEROME L. COBEN, ESQ.  
 SKADDEN, ARPS, SLATE, MEAGHER & FLOM  
 300 SOUTH GRAND AVENUE  
 LOS ANGELES, CALIFORNIA 90071  
 (213) 687-5000  
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

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. / /

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 CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$.20 per share (including Preferred Stock Purchase Rights).....	4,207,504(1)(2)	\$20.75(1)	\$87,305,723(1)	\$30,105(3)

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 of the rules and regulations under the Securities Act of 1933. The proposed maximum offering price per share is based on the average of the high and low sales prices on January 15, 1996.

(2) There are also registered hereby up to 1,612,877 additional shares of Common Stock that may be issued if the actual offering price per share is less than

the proposed maximum offering price per share of \$20.75.

(3) A registration fee of \$30,124 has previously been paid.

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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 THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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OCCIDENTAL PETROLEUM CORPORATION  
 CROSS-REFERENCE SHEET FOR REGISTRATION STATEMENT  
 ON FORM S-4 AND PROSPECTUS

## FORM S-4

## ITEM NUMBER AND CAPTION

## CAPTION IN PROSPECTUS

## A. INFORMATION ABOUT THE TRANSACTION

1.	Forepart of Registration Statement and Outside Front Cover Page of Prospectus.....	Facing Page of Registration Statement; Cross-Reference Sheet; Cover Page of Prospectus
2.	Inside Front and Outside Back Cover Pages of Prospectus.....	Available Information; Incorporation of Certain Documents by Reference; Table of Contents
3.	Risk Factors, Ratio of Earnings to Fixed Charges, and Other Information.....	Summary of Prospectus; Risk Factors; Selected Historical Financial Information of Occidental; Comparative Per Share Data; Comparative Market Prices and Dividends; Projected Financial Information of INDSPEC; Selected Historical Financial Information of INDSPEC
4.	Terms of the Transaction.....	Available Information; Summary of Prospectus; Purpose of the Transactions and the Exchange Offers; The Exchange Offers; Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders; The Exchange Agreement; The Voting Agreement; The Enabling Agreement
5.	Pro Forma Financial Information.....	Not Applicable
6.	Material Contacts With the Company Being Acquired.....	Purpose of the Transactions and the Exchange Offers; The Exchange Offers; Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders; The Exchange Agreement; The Voting Agreement; The Enabling Agreement
7.	Additional Information Required for Reoffering by Persons and Parties Deemed to Be Underwriters...	Not Applicable
8.	Interests of Named Experts and Counsel.....	Legal Matters; Experts
9.	Disclosure of Commission Position on Indemnification For Securities Act Liabilities.....	Not Applicable
B. INFORMATION ABOUT THE REGISTRANT		
10.	Information With Respect to S-3 Registrants.....	Available Information; Incorporation of Certain Documents by Reference
11.	Incorporation of Certain Information by Reference.....	Available Information; Incorporation of Certain Documents by Reference

FORM S-4  
ITEM NUMBER AND CAPTION

CAPTION IN PROSPECTUS

ITEM NUMBER AND CAPTION	CAPTION IN PROSPECTUS
12. Information With Respect to S-2 or S-3 Registrants.....	Not Applicable
13. Incorporation of Certain Information by Reference.....	Not Applicable
14. Information With Respect to Registrants Other Than S-3 or S-2 Registrants.....	Not Applicable
C. INFORMATION ABOUT THE COMPANY BEING ACQUIRED	
15. Information With Respect to S-3 Companies.....	Not Applicable
16. Information With Respect to S-2 or S-3 Companies.....	Not Applicable
17. Information With Respect to Companies Other Than S-2 or S-3 Companies.....	Summary of Prospectus; Comparative Market Prices and Dividends; Business of INDSPEC; Selected Historical Financial Information of INDSPEC; Management's Discussion and Analysis of Financial Condition and Results of Operations; Management of INDSPEC; Certain INDSPEC Relationships and Related Transactions; Principal INDSPEC Stockholders; Financial Statements
D. VOTING AND MANAGEMENT INFORMATION	
18. Information if Proxies, Consents or Authorizations Are to be Solicited.....	Not Applicable
19. Information if Proxies, Consents or Authorizations Are Not to be Solicited, or in an Exchange Offer.....	Available Information; Incorporation of Certain Documents by Reference; Purpose of the Transactions and the Exchange Offers; Management of INDSPEC; Certain INDSPEC Relationships and Related Transactions; Principal INDSPEC Stockholders

## PROSPECTUS

## OCCIDENTAL PETROLEUM CORPORATION

OFFER TO EXCHANGE UP TO 1,257,782 SHARES OF COMMON STOCK OF  
OCCIDENTAL PETROLEUM CORPORATION FOR UP TO 8,504 SHARES OF  
CLASS A COMMON STOCK OF INDSPEC HOLDING CORPORATION

AND

OFFER TO EXCHANGE UP TO 4,362,599 SHARES OF COMMON STOCK OF  
OCCIDENTAL PETROLEUM CORPORATION FOR EACH SHARE OF  
CLASS B COMMON STOCK OF INDSPEC HOLDING CORPORATION

THE EXCHANGE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON APRIL , 1996, UNLESS EXTENDED (THE "EXPIRATION DATE"). SHARES WHICH ARE TENDERED PURSUANT TO THE EXCHANGE OFFERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE EXCHANGE OFFERS.

Occidental Petroleum Corporation, a Delaware corporation ("Occidental"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal, (i) to exchange shares of its common stock, par value \$.20 per share ("Occidental Common Stock"), for up to 8,504 shares of Class A Common Stock, par value \$.01 per share ("Class A Common Stock"), of INDSPEC Holding Corporation, a Delaware corporation ("INDSPEC") (the "Class A Exchange Offer"), and (ii) to exchange shares of Occidental Common Stock for each share of Class B Common Stock, par value \$.01 per share ("Class B Common Stock" and, together with the Class A Common Stock, the "INDSPEC Common Stock"), of INDSPEC (the "Class B Exchange Offer" and, together with the Class A Exchange Offer, the "Exchange Offers"). If more than 8,504 shares of Class A Common Stock are validly tendered in the Class A Exchange Offer and not withdrawn prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in this Prospectus and the Letter of Transmittal, Occidental will accept 8,504 shares of Class A Common Stock for exchange on a pro rata basis.

Promptly following the expiration of the Exchange Offers, but subject to certain conditions, Occidental will effect the exchange of shares of Occidental Common Stock for shares of Class A Common Stock and Class B Common Stock properly tendered and not withdrawn pursuant to the Exchange Offers (the "Closing"). Occidental currently anticipates that the Closing will occur on the third New York Stock Exchange trading day following the expiration of the Exchange Offers.

The number of shares of Occidental Common Stock to be delivered in exchange for each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers will be equal to (i) the quotient obtained by dividing \$131 million by the total number of shares of Class A Common Stock and

(Text continued on the following page)

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DESCRIPTION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED BY INDSPEC STOCKHOLDERS IN CONNECTION WITH THE EXCHANGE OFFER.

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

The date of this Prospectus is March , 1996.

(Continued from previous page)

Class B Common Stock outstanding or subject to issuance upon the exercise of outstanding warrants and options, determined as of the date (the "Closing Date") of the Closing, divided by (ii) the average of the last reported sales prices of Occidental Common Stock on the New York Stock Exchange on each of the twenty consecutive trading days ending on the fifth trading day prior to the Closing Date (the "Occidental Common Stock Value"). Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock.

Upon the Closing of the Exchange Offers, Occidental will deliver to each holder of shares of Class A Common Stock or options to purchase Class A Common Stock that are not acquired by Occidental pursuant to the Exchange Offers, whether or not tendered in the Exchange Offers, a pro rata portion of a number of shares of Occidental Common Stock equal to \$3 million divided by the Occidental Common Stock Value (the "Additional Consideration"). Occidental has agreed to pay the Additional Consideration to INDSPEC securityholders as compensation for the redemption features of the Class A Common Stock. The Federal income tax treatment of the Additional Consideration is subject to uncertainty. See "The Exchange Offers -- Certain Federal Income Tax Consequences."

If the Occidental Common Stock Value is less than \$15, Occidental will not be required to consummate the Exchange Offers unless INDSPEC elects to proceed based on a deemed Occidental Common Stock Value of \$15. If INDSPEC elects to proceed with the Exchange Offers based on a deemed Occidental Common Stock Value of \$15, the Exchange Offers will be extended for at least ten business days from the date that notice to such effect is first published or sent or given to INDSPEC stockholders. INDSPEC stockholders who have tendered shares of INDSPEC Common Stock pursuant to the Exchange Offers will be entitled to withdraw such shares at any time prior to the Expiration Date, as so extended.

Assuming that (i) the 59,047 shares of INDSPEC Common Stock outstanding or subject to issuance as of March , 1996, remain the only shares outstanding or subject to issuance, and (ii) the Occidental Common Stock Value is equal to the closing price of \$ per share for Occidental Common Stock on the New York Stock Exchange on March , 1996, if the Closing were to occur on March , 1996, each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers would be exchanged for shares of Occidental Common Stock.

Upon consummation of the Exchange Offers, Occidental will own up to 38,000 shares of Class B Common Stock (including up to 8,504 shares of Class B Common Stock which will have been converted from Class A Common Stock in accordance with the INDSPEC Certificate of Incorporation), representing approximately 64% of all INDSPEC shares outstanding, determined on a fully diluted basis, and 45% of the voting power of all INDSPEC shares outstanding.

Pursuant to a Voting Agreement, dated as of November 10, 1995 (the "Voting Agreement"), by and among INDSPEC, Roundtable Corp., a Delaware corporation ("Roundtable"), certain INDSPEC stockholders and the Roundtable stockholders, the holders of 1,886 shares of Class A Common Stock and the holders of all 29,496 outstanding shares of Class B Common Stock, have agreed to tender such shares to Occidental in the Exchange Offers. The Exchange Offers are subject to certain conditions, including the performance of the Voting Agreement and the Occidental Common Stock Value being at least \$15. However, the Exchange Offers are not conditioned upon any minimum number of shares of Class A Common Stock being tendered for exchange (other than pursuant to the Voting Agreement). See "The Exchange Offers -- Conditions to the Consummation of the Exchange Offers."

Assuming that (i) the Occidental Common Stock Value is \$ and (ii) the Exchange Offers are fully subscribed, Occidental would issue an aggregate of shares of Occidental Common Stock pursuant to the Exchange Offers and as Additional Consideration, representing approximately % of the total number of shares of Occidental Common Stock outstanding as of January 31, 1996. Occidental Common Stock is listed and principally traded on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "OXY."

This Prospectus also constitutes notice of the commencement of the Class A Exchange Offer to the warrant holder under the Warrant Agreement, dated as of April 20, 1989, pursuant to which warrants were issued that are exercisable to purchase Class A Common Stock.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE SOLICITATIONS OF PROXIES OR THE OFFERING OF SECURITIES MADE HEREBY AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY INDSPEC OR OCCIDENTAL. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE ANY SUCH OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY DISTRIBUTION OF SECURITIES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF INDSPEC OR OCCIDENTAL SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

#### AVAILABLE INFORMATION

Occidental is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by Occidental with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; 7 World Trade Center, 13th Floor, New York, New York 10048; and Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material can be obtained at prescribed rates from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Such material can also be inspected at the New York Stock Exchange (the "NYSE"), 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange, 115 Sansome Street, Suite 1104, San Francisco, California.

Occidental has filed with the Commission a registration statement on Form S-4 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Securities offered hereby. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. Such additional information is available for inspection and copying at the offices of the Commission. Statements contained in this Prospectus or in any document incorporated by reference herein as to the contents of any contract or other document referred to herein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to, or incorporated by reference in, the Registration Statement, each such statement being qualified in all respects by such reference.

A notice has been filed by Occidental with the Pennsylvania Securities Commission which contains substantial additional information about the Exchange Offers, which notice is available for inspection during business hours at the principal offices of the Pennsylvania Securities Commission, 101 North Seventh Street, Second Floor, Harrisburg, Pennsylvania 17102.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, previously filed by Occidental with the Commission pursuant to the Exchange Act (File No. 1-9210), are incorporated herein by reference:

- (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1994;
- (ii) Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 1995, June 30, 1995 and September 30, 1995;
- (iii) Current Reports on Form 8-K, dated January 25, 1995, April 20, 1995, June 27, 1995, July 20, 1995, August 18, 1995, October 18, 1995, October 25, 1995, December 21, 1995 and January 24, 1996; and

- (iv) Registration Statement on Form 8-B, dated June 26, 1986 (as amended by Form 8, dated December 22, 1986, Form 8, dated February 3, 1988, Form 8-B/A, dated July 12, 1993, Form 8-B/A, dated March 18, 1994, and Form 8-B/A, dated November 1, 1995).

All documents filed by Occidental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination or expiration of the Exchange Offers shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is or is deemed to be incorporated by reference herein modifies or supersedes such previous statement. Any statement so modified or superseded shall not be deemed to constitute a part of this Prospectus, except as so modified or superseded.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. THESE DOCUMENTS ARE AVAILABLE, WITHOUT CHARGE, TO ANY PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM THIS PROSPECTUS HAS BEEN DELIVERED, UPON WRITTEN OR ORAL REQUEST TO OCCIDENTAL PETROLEUM CORPORATION, 10889 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90024, ATTENTION: FREDERICK J. GRUBERTH, VICE PRESIDENT AND TREASURER, TELEPHONE NUMBER (310) 208-8800. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY MARCH , 1996.



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## SUMMARY OF PROSPECTUS

The following is a summary of certain information contained elsewhere in this Prospectus. This summary is intended only to highlight certain information contained in this Prospectus. It is not intended to be complete in itself and is qualified in its entirety by reference to the detailed information contained elsewhere herein, the documents referred to herein and the Annexes hereto, including the Agreement and Plan of Share Exchange attached hereto as Annex I. As used herein, unless the context indicates otherwise, "INDSPEC" refers to INDSPEC Holding Corporation and its subsidiaries, and "Occidental" refers to Occidental Petroleum Corporation and its subsidiaries and affiliates. ALL INFORMATION WITH RESPECT TO INDSPEC CONTAINED IN THIS PROSPECTUS HAS BEEN PROVIDED TO OCCIDENTAL BY INDSPEC. INDSPEC STOCKHOLDERS ARE URGED TO READ THIS PROSPECTUS AND THE ANNEXES HERETO IN THEIR ENTIRETY.

<p>INDSPEC Holding Corporation..... 411 Seventh Avenue, Suite 300 Pittsburgh, Pennsylvania 15219 (412) 765-1200</p>	<p>INDSPEC Holding Corporation is a Delaware corporation. INDSPEC Chemical Corporation is the operating subsidiary of INDSPEC. INDSPEC believes that it is the largest producer of resorcinol in the world and the sole commercial producer of resorcinol in the United States. Resorcinol is a chemical used primarily as a bonding and stiffening agent in the manufacture of tires and tread rubber. In addition, resorcinol is used in the manufacture of high performance wood adhesives, ultraviolet light stabilizers, sunscreens, dyestuffs, pharmaceuticals, agrichemicals, carbonless paper and fire retardant plastic additives. See "The Companies -- INDSPEC" and "Business of INDSPEC."</p>
<p>Occidental Petroleum Corporation... 10889 Wilshire Boulevard Los Angeles, California 90024 (310) 208-8800</p>	<p>Occidental is a Delaware corporation that explores for, develops, produces and markets crude oil and natural gas; engages in interstate and intrastate natural gas transmission and marketing; and manufactures and markets a variety of basic chemicals, petrochemicals and polymers and plastics. Occidental conducts its principal operations through three subsidiaries: Occidental Oil and Gas Corporation, MidCon Corp. and Occidental Chemical Corporation. See "The Companies -- Occidental."</p>
<p>The Exchange Offers.....</p>	<p>Occidental hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal, (i) to exchange shares of Occidental Common Stock for up to 8,504 shares of Class A Common Stock, and (ii) to exchange shares of Occidental Common Stock for each share of Class B Common Stock. See "The Exchange Offers."</p>
<p>Purpose of the Transactions and the Exchange Offers.....</p>	<p>The Exchange Offers are part of a series of transactions (the "Transactions") contemplated by an Agreement and Plan of Share Exchange, dated as of November 10, 1995 (the "Exchange Agreement"), by and between Occidental and INDSPEC, and an Enabling Agreement, dated as of November 10, 1995 (the "Enabling Agreement"), by and between Occidental and INDSPEC. The purpose of the Transactions (including the Exchange Offers) is for Occidental to acquire a significant interest in INDSPEC and arrange for the possible acquisition, under certain circumstances, of the interests in INDSPEC not initially acquired by Occidental in the Exchange Offers pursuant to (i) an offer (the "Put Offer") by Occidental to exchange all outstanding shares of Class A Common Stock for shares of Occidental Common Stock, or (ii) the redemption (a "Redemption") of all outstanding shares of Class A Common Stock for shares of Occidental Common Stock. Occidental believes that its investment in INDSPEC will</p>

provide it with holdings in a specialty chemical business that is complementary to Occidental's existing chemical businesses. Occidental and INDSPEC structured the Transactions to satisfy the following objectives: (i) to facilitate the acquisition by Occidental of substantially all of the INDSPEC Common Stock owned by non-management and non-employee stockholders (primarily Castle Harlan Partners II, L.P. ("CHPII") and certain persons associated with CHPII), (ii) to provide some immediate liquidity to INDSPEC's management and employee stockholders through the Exchange Offers, and (iii) to provide incentives for INDSPEC's management and employee stockholders to improve INDSPEC's financial performance and reduce its indebtedness through the timing, pricing and other terms and conditions of the Put Offer and the redemption provisions applicable to the Class A Common Stock. See "Purpose of the Transactions and the Exchange Offers." "The Exchange Offers," "Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders -- Redemption of Class A Common Stock" and "The Enabling Agreement -- Put Offer."

Exchange Offer Consideration.....

The number of shares of Occidental Common Stock to be delivered in exchange for each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers will be equal to (i) the quotient obtained by dividing \$131 million by the total number of shares of Class A Common Stock and Class B Common Stock outstanding or subject to issuance upon the exercise of all outstanding warrants and vested and unvested options, determined as of the Closing Date, divided by (ii) the Occidental Common Stock Value, which is the average of the last reported sales price of Occidental Common Stock on the New York Stock Exchange on each of the twenty consecutive trading days ending on the fifth trading day prior to the Closing Date. Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock. If the Occidental Common Stock Value is less than \$15, Occidental will not be required to consummate the Exchange Offers unless INDSPEC elects to proceed based on a deemed Occidental Common Stock Value of \$15. Assuming that (i) the 59,047 shares of INDSPEC Common Stock outstanding or subject to issuance as of March , 1996, remain the only shares outstanding or subject to issuance, and (ii) the Occidental Common Stock Value is equal to the closing price of \$ per share for Occidental Common Stock on the New York Stock Exchange on March , 1996, if the Closing were to occur on March , 1996, each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers would be exchanged for shares of Occidental Common Stock. See "The Exchange Offers -- Exchange Offer Consideration."

Additional Consideration.....

On the Closing Date, Occidental will issue and deliver to each holder of options to purchase shares of Class A Common Stock (the "Retained Options") or shares of Class A Common Stock (the "Retained Stock" and, together with the shares of Class A Common Stock for which any Retained Options are exercisable, the "Retained Securities") that are not acquired by Occidental pursuant to the Exchange Offers, whether or not tendered in the

Exchange Offers, that number of shares of Occidental Common Stock determined by multiplying (i) the number of Retained Securities held by such holder by (ii) the quotient obtained by dividing (a) \$3 million divided by the total number of Retained Securities held by all holders, by (b) the Occidental Common Stock Value. Cash will be paid by Occidental in lieu of issuing fractional shares of Occidental Common Stock. See "The Exchange Offers -- Additional Consideration." Occidental has agreed to pay the Additional Consideration to holders of Retained Securities as compensation for the redemption features of the Class A Common Stock. The Federal income tax treatment of the Additional Consideration is subject to uncertainty. See "The Exchange Offers -- Certain Federal Income Tax Consequences."

Opinion of Financial Advisor to

INDSPEC.....

INDSPEC has engaged Morgan Stanley & Co. Incorporated ("Morgan Stanley") and Castle Harlan, Inc. ("Castle Harlan"), which acts as investment manager to CHPII, to act as financial advisors in connection with the Transactions. Morgan Stanley has advised INDSPEC's Board of Directors that, as of the date of such opinion and subject to the various considerations set forth therein, the consideration to be received by the INDSPEC stockholders pursuant to the Exchange Agreement (and related documents) is, in the aggregate, fair from a financial point of view to such stockholders. See "The Exchange Offers -- Opinion of Morgan Stanley" and Annex IV hereto.

Risk Factors.....

Occidental urges each INDSPEC stockholder to evaluate carefully all information in this Prospectus, to consult his or her investment and tax advisors and to make his or her own decision whether to tender INDSPEC Common Stock and, if so, the number of shares to tender, based on such stockholder's financial position and requirements. In deciding whether or not to tender shares of INDSPEC Common Stock in the Exchange Offers, INDSPEC stockholders should be aware that there is currently no public market for the INDSPEC Common Stock. The shares of INDSPEC Common Stock are restricted securities under the Securities Act and applicable state securities laws, and may not be resold unless they are registered under the Securities Act and applicable state securities laws or exemptions from such laws are available. There can be no assurance as to when, if ever, the Put Offer or a Redemption will occur. Consequently, INDSPEC stockholders' ability to dispose of shares of INDSPEC Common Stock, other than pursuant to the Exchange Offers, is limited. The consideration that would be received by INDSPEC stockholders in the event of the Put Offer or a Redemption may be greater or less, on a per share basis, than that received by stockholders in the Exchange Offers, and such difference could be material. See "Risk Factors."

Expiration of the Exchange

Offers.....

The Exchange Offers will expire at 12:00 midnight, New York City time, on April , 1996, unless extended. The Exchange Offers may be extended if certain unscheduled events occur with respect to INDSPEC's Petrolia, Pennsylvania production facility. In addition, if INDSPEC elects to proceed with the Exchange Offers based on a deemed Occidental Common Stock Value of \$15, the Exchange Offers will be extended for at least ten business days

from the date that notice to such effect is first published or sent or given to INDSPEC stockholders. INDSPEC stockholders who have tendered shares of INDSPEC Common Stock pursuant to the Exchange Offers will be entitled to withdraw such shares at any time prior to the Expiration Date, as so extended. See "The Exchange Offers -- Expiration Date; Extensions; Termination."

Closing Date..... Promptly following the Expiration Date, but subject to certain conditions, Occidental will effect the exchange of shares of Occidental Common Stock for shares of Class A Common Stock and Class B Common Stock properly tendered and not withdrawn pursuant to the Exchange Offers. Occidental currently anticipates that the Closing will occur on the third New York Stock Exchange trading day following the Expiration Date. See "The Exchange Offers -- Closing Date."

Withdrawal Rights..... Tenders of shares of INDSPEC Common Stock made pursuant to the Exchange Offers are irrevocable, except that shares tendered pursuant to the Exchange Offers may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for exchange by Occidental pursuant to the Exchange Offers, may also be withdrawn at any time after the expiration of 60 days from the commencement of the Exchange Offers (May , 1996). See "The Exchange Offers -- Withdrawal Rights."

Proration..... If more than 8,504 shares of Class A Common Stock are validly tendered in the Class A Exchange Offer and not withdrawn prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal, Occidental will accept 8,504 shares of Class A Common Stock for exchange on a pro rata basis based on the number of shares validly tendered by each stockholder. Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock. See "The Exchange Offers -- Proration."

Conditions to the Exchange Offers..... Pursuant to the Voting Agreement, the holders of 1,886 shares of Class A Common Stock and the holders of all 29,496 outstanding shares of Class B Common Stock have agreed to tender such shares to Occidental in the Exchange Offers. The Exchange Offers are subject to certain conditions, including the performance of the Voting Agreement and the Occidental Common Stock Value being at least \$15. However, the Exchange Offers are not conditioned upon any minimum number of shares of Class A Common Stock being tendered for exchange (other than pursuant to the Voting Agreement). See "The Exchange Offers -- Conditions to the Consummation of the Exchange Offers" and "The Voting Agreement."

Procedures for Tendering..... To be tendered properly, either (i) certificates for shares of INDSPEC Common Stock, or (ii) with respect to vested options to purchase Class A Common Stock, a properly completed Notice of Guaranteed Delivery duly executed by INDSPEC, in either case, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and any other documents required by the Letter of Transmittal must be received by Occidental at the address set forth on the back cover of this Prospectus prior to 12:00 midnight, New York City time, on the Expiration

Date. See "The Exchange Offers -- Procedures for Tendering" and "The Exchange Offers -- Treatment of Vested Options."

Treatment of Vested Options..... Holders of vested options to purchase Class A Common Stock ("Options") may participate in the Exchange Offers by exercising such Options and tendering the shares of Class A Common Stock received upon such exercise. Alternatively, a holder of a vested Option may validly tender shares of Class A Common Stock by delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), together with a properly completed Notice of Guaranteed Delivery duly executed by INDSPEC indicating that (i) the tendering party is entitled to receive shares of Class A Common Stock upon exercise of a vested Option, and (ii) INDSPEC has received a properly completed and duly executed Notice of Conditional Exercise exercising such Option subject only to the condition that Occidental accept the shares issuable thereunder in the Exchange Offers and directing INDSPEC to deliver such shares directly to Occidental upon notice of acceptance thereof from Occidental. The Exchange Agreement provides that INDSPEC may, to the extent that it is permitted to do so pursuant to the terms of its indenture and senior credit facility, provide to each holder of vested Options for which the shares issuable upon exercise thereof are accepted by Occidental in the Exchange Offers, as a loan, the amount of the exercise price necessary to exercise such vested Options. INDSPEC has indicated that if it is able to make such loans, the Notice of Conditional Exercise will also contain a Conditional Note to be executed by the holders of such Options. See "The Exchange Offers -- Treatment of Vested Options."

Payment of Expenses..... Tendering holders will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of INDSPEC Common Stock pursuant to the Exchange Offers. Occidental will pay all transfer taxes of tendering stockholders, other than certain applicable taxes, in connection with the Exchange Offers. See "The Exchange Offers -- Payment of Expenses."

Regulatory Approvals Required..... The Exchange Offers are subject to the completion of certain governmental filings and the obtaining of certain governmental approvals, including the requirements of the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "HSR Act"), and the rules and regulations thereunder, which provide that certain transactions may not be consummated until required information and materials have been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the Federal Trade Commission (the "FTC") and certain waiting periods have expired or been terminated. Occidental and INDSPEC filed the required information and materials with the Antitrust Division and the FTC, and the waiting period expired on January 17, 1996. The Exchange Offers are also subject to the Takeover Disclosure Law of the State of Pennsylvania, pursuant to which Occidental has filed a notice with the Pennsylvania Securities Commission. See "The Exchange Offers -- Regulatory Approvals Required."

No Appraisal Rights..... No appraisal rights will be available to INDSPEC stockholders in connection with the Exchange Offers.

Certain Federal Income Tax Consequences..... The receipt of Occidental Common Stock in exchange for shares of Class A Common Stock or Class B Common Stock pursuant to the Exchange Offers will be a taxable transaction for Federal income tax purposes. However, the Federal income tax treatment of the Additional Consideration is subject to uncertainty. See "The Exchange Offers -- Certain Federal Income Tax Consequences."

Trading Markets..... Occidental Common Stock is listed and principally traded on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "OXY." There is currently no trading market for the Class A Common Stock or Class B Common Stock. See "Comparative Market Prices and Dividends" and "Certain Considerations."



## RISK FACTORS

Occidental urges each INDSPEC stockholder to evaluate carefully all information in this Prospectus, to consult his or her investment and tax advisors and to make his or her own decision whether to tender INDSPEC Common Stock and, if so, the number of shares to tender, based on such stockholder's financial position and requirements.

## ABSENCE OF PUBLIC MARKET

In deciding whether or not to tender shares of INDSPEC Common Stock in the Exchange Offers, INDSPEC stockholders should be aware that there is currently no public market for the INDSPEC Common Stock. The shares of INDSPEC Common Stock are restricted securities under the Securities Act and applicable state securities laws, and may not be resold unless they are registered under the Securities Act and applicable state securities laws or exemptions from such laws are available. INDSPEC has no obligation to register such shares and INDSPEC has indicated that a public offering of such shares is not contemplated. Consequently, INDSPEC stockholders' ability to dispose of shares of INDSPEC Common Stock, other than pursuant to the Exchange Offers, is limited.

## CLASS A COMMON STOCK SUBJECT TO REDEMPTION; PUT OFFER

After the Exchange Offers have been completed, (i) Occidental may, under certain circumstances, be required to commence the Put Offer, pursuant to which it would exchange shares of Occidental Common Stock for shares of Class A Common Stock and (ii) the shares of Class A Common Stock may, under certain circumstances, be redeemed for shares of Occidental Common Stock pursuant to a Redemption. However, there can be no assurance as to when, if ever, any such exchange or redemption will occur. In the event of the Put Offer or a Redemption, the value of shares of Occidental Common Stock to be received by INDSPEC stockholders upon any such exchange or redemption will be based on a formula specified in the Enabling Agreement (in the case of the Put Offer) or the INDSPEC Certificate of Incorporation (in the case of a Redemption) and, in each case, will depend upon certain factors, including the following: (i) the earnings before interest, taxes, depreciation and amortization ("EBITDA") of INDSPEC for the 12 months immediately preceding the month in which such exchange or redemption occurs; (ii) the amount of net debt and other liabilities of INDSPEC as of the last day of the fiscal month immediately preceding the month in which such exchange or redemption occurs; and (iii) the number of shares of Class A Common Stock and Class B Common Stock outstanding or subject to issuance upon the exercise of options and warrants. See "Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders -- Redemption of Class A Common Stock" and "The Enabling Agreement -- Put Offer."

The consideration that would be received by INDSPEC stockholders in the event of the Put Offer or a Redemption may be greater or less, on a per share basis, than that received by stockholders in the Exchange Offers, and such difference could be material. In particular, INDSPEC's EBITDA for any future period and the amount of INDSPEC's net debt and other liabilities as of any date in the future are subject to significant risk and uncertainty and may increase or decrease.

## TAX TREATMENT OF ADDITIONAL CONSIDERATION

The Federal income tax consequences of the receipt of shares of Occidental Common Stock by holders of Retained Stock as Additional Consideration is subject to uncertainty, particularly with respect to both the timing of income recognition and the character of the income. The legal authorities that are potentially applicable to the treatment of the receipt of the Additional Consideration do not address facts and circumstances sufficiently analogous to those pertaining to the Additional Consideration to provide definitive guidance regarding the most appropriate treatment of the receipt of the Additional Consideration. Accordingly, it is not possible for counsel to render an opinion regarding the tax treatment that will apply to the Additional Consideration. There is a substantial risk that the Internal Revenue Service will contend that the receipt of shares of Occidental Common Stock may be treated as a fee for consenting to the merger of Roundtable with and into INDSPEC and thus would, upon receipt, be includible in income as ordinary

income in an amount equal to the sum of the fair market value of such shares and any cash received in lieu of fractional shares. There may, however, be alternative tax consequences of the receipt of shares of Occidental Common Stock as Additional Consideration. Holders of Retained Stock should consult their tax advisors regarding such alternative tax consequences, including whether the receipt of such shares (i) would give rise to capital gain rather than ordinary income even if the receipt is treated as a payment for consent, (ii) would be treated as exchanged for shares of Class A Common Stock, and (iii) would not be currently includible in income but would be treated as part of an open transaction that would close (i.e., be subject to tax) upon the sale, disposition or redemption of such shares, or upon the lapse of Occidental's rights pursuant to the INDSPEC Certificate of Incorporation to effectuate, directly or indirectly, a Redemption. See "The Exchange Offers -- Certain Federal Income Tax Consequences."

SELECTED HISTORICAL FINANCIAL INFORMATION OF OCCIDENTAL  
(IN MILLIONS, EXCEPT RATIOS)

The following selected historical financial information of Occidental and its consolidated subsidiaries should be read in conjunction with Occidental's Consolidated Condensed Financial Statements for the nine months ended September 30, 1995 and 1994, which are included in Occidental's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1995, and Occidental's Consolidated Financial Statements for the year ended December 31, 1994, which are incorporated by reference in Occidental's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, each of which reports is incorporated herein by reference, and "Management's Discussion and Analysis" included in such reports. The financial information for the years ended December 31, 1993, 1992, 1991 and 1990, reflects the coal business as a discontinued operation, and the financial information for the year ended December 31, 1992 reflects the initial adoption, effective as of January 1, 1992, of Statement of Financial Accounting Standards (SFAS) No. 106 -- "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109 -- "Accounting for Income Taxes." The financial information for the years ended December 31, 1991 and 1990 also reflects IBP, inc. ("IBP") as a discontinued operation. The information with respect to the results of operations for the nine months ended, and the financial position at, September 30, 1995 and 1994 is unaudited, but, in the opinion of Occidental, reflects all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated results of operations for, and the consolidated financial position at the end of, such periods. The information with respect to the results of operations for the nine months ended September 30, 1995 should not be regarded as necessarily indicative of the results that may be expected for the entire year.

	NINE MONTHS ENDED SEPTEMBER 30		YEAR ENDED DECEMBER 31				
	1995	1994	1994	1993	1992	1991	1990
	(UNAUDITED)						
<b>RESULTS OF OPERATIONS:</b>							
<b>Revenues:</b>							
Net sales and operating revenues....	\$ 7,950	\$ 6,672	\$ 9,236	\$ 8,116	\$ 8,494	\$ 9,498	\$10,837
Interest, dividends and other income.....	78	62	92	347	446	199	242
Gains on asset dispositions, net....	44	16	15	54	215	1,177	74
Income from equity investments.....	87	48	73	27	22	10	27
	8,159	6,798	9,416	8,544	9,177	10,884	11,180
<b>Costs and other deductions:</b>							
Cost of sales.....	5,945	5,563	7,550	6,809	7,185	7,704	8,645
Selling, general and administrative and other operating expenses.....	839	677	1,044	818	877	823	1,106
Restructuring charges.....	--	--	--	--	--	260	1,069
Environmental remediation charges...	--	--	4	18	42	149	713
Exploration expense.....	63	71	127	102	112	115	130
Interest and debt expense, net.....	436	434	584	580	640	864	898
Provision for domestic and foreign income and other taxes.....	372	89	143	143	195	597	38
	7,655	6,834	9,452	8,470	9,051	10,512	12,599
Income (loss) from continuing operations.....	504	(36)	(36)	74	126	372	(1,419)
Discontinued operations, net.....	--	--	--	221	(622)	(55)	(275)
Extraordinary gain (loss), net (1)....	--	--	--	(12)	(2)	143	(1)
Cumulative effect of changes in accounting principles, net (2).....	--	--	--	--	(93)	--	--
Net income (loss).....	504(3)	(36)(4)	(36)(4)	283(5)	(591)(6)	460(7)	(1,695)(8)
Preferred dividend requirements.....	(70)	(56)	(76)	(39)	(3)	(7)	(7)
Earnings (loss) applicable to common stock.....	\$ 434	\$ (92)	\$ (112)	\$ 244	\$ (594)	\$ 453	\$(1,702)
Depreciation, depletion and amortization expense.....	\$ 708	\$ 660	\$ 882	\$ 892	\$ 872	\$ 793	\$ 927
Common stock dividends.....	\$ 238	\$ 233	\$ 311	\$ 305	\$ 302	\$ 299	\$ 737
Ratio of earnings to fixed charges (9).....	2.54	N/A(10)	N/A(10)	1.41	1.30	1.70	N/A(10)
<b>FINANCIAL POSITION (AT END OF PERIOD):</b>							
Total assets.....	\$17,446	\$17,295	\$17,989	\$17,123	\$17,877	\$15,763	\$18,202
Senior funded debt, net.....	5,271	5,682	5,823	5,728	5,452	5,478	6,033
Subordinated debt, net.....	--	--	--	--	--	--	1,324
Capital lease liabilities, net.....	269	298	291	319	354	379	60
Preferred stock, common stock and other stockholders' equity.....	4,699	4,307	4,457	3,958	3,440	4,340	4,114

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- (1) The total year 1993, 1992 and 1990 extraordinary losses each resulted from the early extinguishment of debt. The total year 1991 net extraordinary gain included a gain of \$252 million from the income tax benefit arising from the application of net operating and capital loss carryforwards, partially offset by losses of \$109 million resulting from the early extinguishment of debt.
  - (2) During the fourth quarter of 1992, Occidental adopted SFAS No. 106 and No. 109, effective as of January 1, 1992. The cumulative effect of these accounting changes on prior years was a net charge of \$93 million, which consisted of a \$513 million charge resulting from the adoption of SFAS No. 106 and a \$420 million benefit resulting from the adoption of SFAS No. 109.
  - (3) The 1995 results included pretax charges of \$109 million for settlement of litigation.
  - (4) The total year 1994 results included pretax charges of \$148 million for environmental and litigation matters and plant closure. Included in these charges for the nine months ended September 30 was \$18 million for a plant closure reserve.
  - (5) The total year 1993 results included after-tax benefits of \$85 million resulting from a reversal of foreign tax reserves following the settlement of tax matters with foreign jurisdictions relating to the disposition of certain international oil and gas assets in 1991 and the net benefit of a \$154 million reduction in contract impairment reserve at MidCon Corp. The total year results also included an after-tax benefit of \$221 million, reported as discontinued operations, for the reversal of reserves no longer required and for recognizing the effect of the sale of the coal business.
  - (6) The total year 1992 results included a \$622 million after-tax charge and loss from operations related to the discontinued coal operation and a \$93 million net charge for changes in accounting principles. These charges were partially offset by pretax gains of \$75 million from the receipt of a contingent payment related to the 1985 sale of a subsidiary that owned one half of Occidental's Colombian operations and \$128 million from a sale of 12 million Common Shares of Canadian Occidental Petroleum Ltd. The total year results also included the net benefit of a \$209 million reduction in the contract impairment reserve at MidCon Corp.
  - (7) The total year 1991 results included net gains of \$642 million from major asset sales, which included Occidental's sale of the U.K. North Sea interest and the disposition of IBP, partially offset by charges of \$466 million for asset value adjustments, environmental remediation, severance costs and accelerated amortization of original issue discount on a portion of debt subsequently retired.
  - (8) In the fourth quarter of 1990, Occidental recorded charges of \$2.169 billion, which included charges for restructuring of \$1.369 billion, of which \$300 million is reflected in discontinued operations, environmental remediation charges of \$620 million, asset impairment write-offs of \$150 million and other charges of \$30 million, as part of a restructuring program announced in January 1991.
  - (9) Earnings are based on Occidental's consolidated income from continuing operations, before taxes on income (other than foreign oil and gas taxes) and before fixed charges. Combined fixed charges consist of interest and debt expense, including the proportionate share of interest and debt expense of 50 percent-owned unconsolidated companies, the portion of lease rentals representative of the interest factor, preferred dividends to minority stockholders of subsidiaries adjusted to a pretax basis.
  - (10) For the nine months ended September 30, 1994 and the years ended December 31, 1994 and 1990, earnings were inadequate to cover combined fixed charges by \$19 million, \$1 million and \$1.547 billion, respectively.

## COMPARATIVE PER SHARE DATA

Set forth below are historical net income per share, book value per share and dividend per share data of Occidental and INDSPEC. The information presented in the table should be read in conjunction with the separate historical financial statements of Occidental and INDSPEC and the notes thereto appearing elsewhere herein or incorporated herein by reference.

## OCCIDENTAL PETROLEUM CORPORATION

	NINE MONTHS ENDED SEPTEMBER 30, 1995 -----	YEAR ENDED DECEMBER 31, 1994 -----
Primary earnings (loss) per share of common stock.....	\$ 1.37	\$(0.36)
Book value per common share.....	\$ 10.60	\$ 9.88
Dividends per common share.....	\$ 0.75	\$ 1.00

## INDSPEC HOLDING CORPORATION

	NINE MONTHS ENDED DECEMBER 31, 1995 -----	YEAR ENDED MARCH 31, 1995 -----
Net income per share of common stock.....	\$ 92.17	\$ 79.61
Book value per common share.....	\$ 305.20	\$ 212.94
Dividends per common share.....	\$ 0.00	\$ 0.00

## COMPARATIVE MARKET PRICES AND DIVIDENDS

## OCCIDENTAL

Occidental Common Stock is listed and principally traded on the New York Stock Exchange and the Pacific Stock Exchange under the symbol "OXY."

The following table sets forth the high and low sales prices of Occidental Common Stock, and cash dividends declared thereon, for the periods indicated. The quotations are as reported in published financial sources.

	HIGH	LOW	DIVIDEND
	----	---	-----
Calendar Quarters -- 1994			
First Quarter.....	19 1/8	16 1/8	.25
Second Quarter.....	20	15 1/8	.25
Third Quarter.....	22 3/8	18 3/4	.25
Fourth Quarter.....	22	18 3/8	.25
Calendar Quarters -- 1995			
First Quarter.....	22	18	.25
Second Quarter.....	24 3/8	21 1/4	.25
Third Quarter.....	23 7/8	21 1/8	.25
Fourth Quarter.....	23 1/2	20 1/8	.25
Calendar Quarters -- 1996			
First Quarter (through March , 1996).....			

On March , 1996, the closing price per share of Occidental Common Stock on the New York Stock Exchange was \$ .

## INDSPEC

There is currently no trading market for INDSPEC Common Stock and no dividends have ever been paid. INDSPEC's senior credit facility with Bankers Trust Company, as Agent (the "Senior Credit Facility") and Indenture with United States Trust Company, as Trustee, with respect to INDSPEC Chemical Corporation's 11 1/2% Senior Subordinated Discount Notes due 2003 (the "Indenture") currently restrict INDSPEC's ability to pay dividends.

## THE COMPANIES

## INDSPEC

INDSPEC Holding Corporation is a Delaware corporation. INDSPEC Chemical Corporation ("Chemical") is the wholly owned operating subsidiary of INDSPEC. INDSPEC believes that it is the largest producer of resorcinol in the world and the sole commercial producer of resorcinol in the United States. Resorcinol is a chemical used primarily as a bonding and stiffening agent in the manufacture of tires and tread rubber. In addition, resorcinol is used in the manufacture of high performance wood adhesives, ultraviolet light stabilizers, sunscreens, dyestuffs, pharmaceuticals, agrichemicals, carbonless paper and fire retardant plastic additives. See "Business of INDSPEC." INDSPEC's principal executive offices are located at 411 Seventh Avenue, Pittsburgh, Pennsylvania 15219 (telephone (412) 765-1200).

## OCCIDENTAL

Occidental explores for, develops, produces and markets crude oil and natural gas; engages in interstate and intrastate natural gas transmission and marketing; and manufactures and markets a variety of basic chemicals, petrochemicals and polymers and plastics. Occidental conducts its principal operations through three subsidiaries: Occidental Oil and Gas Corporation, MidCon Corp. and Occidental Chemical Corporation. Occidental's principal executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024 (telephone (310) 208-8800).

## PURPOSE OF THE TRANSACTIONS AND THE EXCHANGE OFFERS

The purpose of the Transactions (including the Exchange Offers) is for Occidental to acquire a significant interest in INDSPEC and arrange for the possible acquisition, under certain circumstances, of the interests in INDSPEC not initially acquired by Occidental in the Exchange Offers pursuant to the Put Offer or a Redemption. Occidental believes that its investment in INDSPEC will provide it with holdings in a specialty chemical business that is complementary to Occidental's existing chemical businesses. Occidental and INDSPEC structured the Transactions to satisfy the following objectives: (i) to facilitate the acquisition by Occidental of substantially all of the INDSPEC Common Stock owned by non-management and non-employee stockholders (primarily CHPII, and certain persons associated with CHPII), (ii) to provide some immediate liquidity to INDSPEC's management and employee stockholders through the Exchange Offers and (iii) to provide incentives for INDSPEC's management and employee stockholders to improve INDSPEC's financial performance and reduce its indebtedness through the timing, pricing and other terms and conditions of the Put Offer and the redemption provisions applicable to the Class A Common Stock.

## STRUCTURE

The first step in the Transactions was the merger (the "Merger") of Roundtable with and into INDSPEC, with INDSPEC as the surviving corporation. The Merger became effective on March 1, 1996 (the "Effective Date"). The second step in the Transactions is the Exchange Offers, which are described in this Prospectus and the accompanying Letter of Transmittal. The last major step in the Transactions, if it occurs, would be the Put Offer or a Redemption.

**PUT OFFER.** The Enabling Agreement obligates Occidental to commence an offer to exchange shares of Occidental Common Stock for shares of Class A Common Stock if certain conditions are satisfied, including (i) the expiration of at least three years after the Closing Date and (ii) INDSPEC's Net Debt (as defined in the Enabling Agreement) having been reduced to less than \$80 million (or such greater amount as may be determined after the Closing Date by the Board of Directors). The number of shares of Occidental Common Stock to be exchanged for each share of Class A Common Stock in the event of a Put Offer will be based on a formula specified in the Enabling Agreement. Occidental may terminate the Put Offer upon the occurrence of a Threshold Redemption (as defined below). See "The Enabling Agreement -- Put Offer."

**REDEMPTION.** INDSPEC's Certificate of Incorporation, as amended and restated in connection with the Merger (the "INDSPEC Certificate"), provides for the redemption, under certain circumstances, of shares of

Class A Common Stock for shares of Occidental Common Stock. The Class A Common Stock is subject to redemption for shares of Occidental Common Stock (i) upon INDSPEC's receipt of a written notice from Occidental at any time on or after the fifth anniversary of the Closing Date and on or before the seventh anniversary of the Closing Date (the "Notice Redemption") or (ii) if Occidental acquires 67% or more of the total number of shares of Class A Common Stock and Class B Common Stock then outstanding (determined on a fully diluted basis but excluding any shares acquired pursuant to the Put Offer), or if a number of shares of Class A Common Stock have been tendered pursuant to the Put Offer such that, upon the acquisition of such shares, Occidental would own 67% or more of the total number of shares of Class A Common Stock and Class B Common Stock then outstanding (determined on a fully diluted basis) (the "Threshold Redemption"). The number of shares of Occidental Common Stock to be exchanged for each share of Class A Common Stock in the event of a Notice Redemption or a Threshold Redemption will be based on a formula specified in the INDSPEC Certificate. See "Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders -- Redemption of Class A Common Stock."

#### BACKGROUND

On March 28, 1995, INDSPEC engaged a financial advisor regarding a possible sale of the company. Occidental was one of a number of possible buyers that were identified and contacted by INDSPEC's financial advisor. On August 15, 1995, Occidental delivered a proposal to INDSPEC with respect to the negotiation of a transaction involving INDSPEC and Occidental. Over the next two months, Occidental conducted due diligence, and the parties negotiated the terms of the proposed transaction. On November 10, 1995, INDSPEC and Occidental entered into the Exchange Agreement and the Enabling Agreement, which provide for the Transactions, including the Exchange Offers.

#### CERTAIN ASPECTS OF THE TRANSACTIONS

In connection with the Exchange Offers, Occidental will acquire up to 38,000 shares of Class B Common Stock (including up to 8,504 shares that will have been automatically converted from Class A Common Stock pursuant to the INDSPEC Certificate) in exchange for up to 5,620,381 shares of Occidental Common Stock (the actual number of shares to be based on the Occidental Common Stock Value). If the Exchange Offers are fully subscribed, Occidental will acquire approximately 64% of all INDSPEC shares outstanding, determined on a fully diluted basis, and 45% of the voting power of all INDSPEC shares outstanding. As the only holder of Class B Common Stock, Occidental will be entitled to elect all three of INDSPEC's Class B Directors, but none of the three Class A Directors. Prior to the Conversion Date (as defined in the INDSPEC Certificate), all actions to be taken by INDSPEC's Board of Directors will generally require the vote of at least five directors. See "Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders." Under certain circumstances, (i) the INDSPEC Certificate will enable Occidental to cause a Redemption of the outstanding Class A Common Stock and (ii) the Enabling Agreement will obligate Occidental to commence the Put Offer. See "The Enabling Agreement -- Put Offer."

All of the shares of Class B Common Stock properly tendered in the Exchange Offers will be exchanged for Occidental Common Stock. Upon completion of the Exchange Offers, CHPII will no longer own any shares of INDSPEC Common Stock and, therefore, will not participate in any increase or decrease in value of INDSPEC Common Stock that may be realized in the future. The other holders of Class B Common Stock will continue to own INDSPEC Common Stock only to the extent that such persons also own shares of Class A Common Stock. See "Principal INDSPEC Stockholders." These stockholders will receive the same consideration in the Transactions with respect to their shares of Class A Common Stock as persons who are not associated with CHPII.

Holders of Class A Common Stock, including all INDSPEC stockholders who are not associated with CHPII, will only be entitled to exchange, in the aggregate, up to 8,504 shares of Class A Common Stock, representing approximately 33% of the shares outstanding, determined on a fully diluted basis, in the Exchange Offers. See "Interests of Certain Persons in the Exchange Offers -- Different Classes of Stock; Treatment in the Exchange Offers." In addition to the shares of Occidental Common Stock received in exchange for shares of INDSPEC Common Stock, INDSPEC securityholders remaining after the Exchange



Offers have been completed will receive, as Additional Consideration, up to an aggregate of 200,000 shares of Occidental Common Stock (the actual number of shares to be based on the Occidental Common Stock Value). Shares of Class A Common Stock that remain outstanding after the Exchange Offers have been completed will, under certain circumstances, be subject to Redemption in exchange for Occidental Common Stock, and eligible for exchange, at the option of the holder, for shares of Occidental Common Stock if Occidental commences the Put Offer. The consideration that would be received by INDSPEC stockholders in the event of a Redemption or the Put Offer may be greater or less, on a per share basis, than that received by INDSPEC stockholders in the Exchange Offers.

In connection with the Transactions, certain officers of INDSPEC will enter into new employment agreements, intended to provide incentives for such officers to remain with INDSPEC through December 31, 2000 or the Conversion Date (if earlier). See "Interests of Certain Persons in the Exchange Offers -- Employment Agreements" and "Management of INDSPEC -- Employment and Other Agreements." Except for such employment arrangements, INDSPEC officers will be treated the same in the Transactions as other INDSPEC stockholders who are not associated with CHPII.

#### THE EXCHANGE OFFERS

##### EXCHANGE OFFER CONSIDERATION

Occidental hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal, (i) to exchange shares of Occidental Common Stock for up to 8,504 shares of Class A Common Stock and (ii) to exchange shares of Occidental Common Stock for each outstanding share of Class B Common Stock. The number of shares of Occidental Common Stock to be delivered in exchange for each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers will be equal to (i) the quotient obtained by dividing \$131 million by the total number of shares of Class A Common Stock and Class B Common Stock outstanding or subject to issuance upon the exercise of all outstanding warrants and vested and unvested options, determined as of the Closing Date, divided by (ii) the Occidental Common Stock Value. If certain events with respect to the Occidental Common Stock (including a dividend or recapitalization) occur during the twenty consecutive trading days during which the Occidental Common Stock Value is determined, then the Occidental Common Stock Value will be adjusted appropriately in a manner to be determined by Occidental and consented to by INDSPEC. Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock. If the Occidental Common Stock Value is less than \$15, Occidental will not be required to consummate the Exchange Offers unless INDSPEC elects to proceed based on a deemed Occidental Common Stock Value of \$15.

Assuming that (i) the 59,047 shares of INDSPEC Common Stock outstanding or subject to issuance as of February , 1996, remain the only shares outstanding or subject to issuance, and (ii) the Occidental Common Stock Value is equal to the closing price of \$ per share for Occidental Common Stock on the New York Stock Exchange on February , 1996, if the Closing were to occur on February , 1996, each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers would be exchanged for shares of Occidental Common Stock.

##### ADDITIONAL CONSIDERATION

On the Closing Date, Occidental will issue and deliver to each holder of Retained Securities that number of shares of Occidental Common Stock determined by multiplying (i) the number of Retained Securities held by such holder, by (ii) the quotient obtained by dividing (a) \$3 million divided by the total number of Retained Securities held by all holders, by (b) the Occidental Common Stock Value. Cash will be paid by Occidental in lieu of issuing fractional shares of Occidental Common Stock. Occidental has agreed to pay the Additional Consideration to holders of Retained Securities as compensation for the redemption features of the Class A Common Stock. Assuming that (i) the 59,047 shares of INDSPEC Common Stock outstanding or subject to issuance as of February , 1996, remain the only shares outstanding or subject to issuance, (ii) the Exchange Offers are fully subscribed, and (iii) the Occidental Common Stock Value is equal to the closing

price of \$ \_\_\_\_\_ per share for Occidental Common Stock on the New York Stock Exchange on February \_\_\_\_\_, 1996, if the Closing were to occur on February \_\_\_\_\_, 1996, Occidental would deliver to each holder of Retained Securities \_\_\_\_\_ shares of Occidental Common Stock for each share of Class A Common Stock represented by such Retained Securities. The Federal income tax treatment of the Additional Consideration is subject to uncertainty. See "The Exchange Offers -- Certain Federal Income Tax Consequences."

#### EXPIRATION DATE; EXTENSIONS; TERMINATION

The Exchange Offers will expire at 12:00 midnight, New York City time, on March \_\_\_\_\_, 1996, unless extended. In the event of any extension of the Exchange Offers, the term "Expiration Date" shall mean the date on which the Exchange Offers, as so extended, shall expire. Occidental will make a public announcement of extension prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which Occidental may choose to make a public announcement of any extension, amendment or termination of the Exchange Offers, Occidental shall have no obligation to publicly advertise, or otherwise communicate any such public announcement, other than by making a timely release to the Dow Jones News Service.

If any damage, destruction or other similar unplanned event (including an unplanned event which occurs during a planned outage or maintenance) occurs that results in the cessation of all or substantially all of the production at INDSPEC's resorcinol production facility in Petrolia, Pennsylvania for a period that exceeds, or is reasonably likely to exceed, 30 consecutive days, then the Exchange Offers will be extended until the tenth business day after production is resumed, but not beyond June 30, 1996. If INDSPEC elects to proceed with the Exchange Offers based on a deemed Occidental Common Stock Value of \$15, the Exchange Offers will be extended for at least ten business days from the date that notice to such effect is first published or sent or given to INDSPEC stockholders. INDSPEC stockholders who have tendered shares of INDSPEC Common Stock pursuant to the Exchange Offers will be entitled to withdraw such shares at any time prior to the Expiration Date, as so extended.

Subject to the terms and provisions of the Exchange Agreement, Occidental reserves the right to extend the Exchange Offers or to terminate the Exchange Offers and not accept for exchange any shares of Occidental Common Stock not previously accepted for exchange. Any such delay in acceptance for exchange, extension or termination will be followed as promptly as practicable by public announcement thereof. The rights reserved by Occidental in this paragraph are in addition to Occidental's rights set forth under "Conditions to the Consummation of the Exchange Offers" below.

#### CLOSING DATE

Promptly following the Expiration Date, but subject to certain conditions, Occidental will effect the exchange of shares of Occidental Common Stock for shares of Class A Common Stock and Class B Common Stock properly tendered and not withdrawn pursuant to the Exchange Offers. Occidental currently anticipates that the Closing will occur on the third New York Stock Exchange trading day following the Expiration Date.

If any tendered shares of INDSPEC Common Stock are not accepted for exchange because such shares were not tendered properly, the occurrence of certain other events set forth herein or otherwise, certificates for any such unexchanged shares of INDSPEC Common Stock will be returned, without expense, to the tendering holder thereof promptly after the expiration or termination of the Exchange Offers.

Occidental expressly reserves the right to seek to acquire INDSPEC Common Stock in the future by means of privately negotiated acquisitions, subsequent exchange or tender offers (including the Put Offer) or otherwise, at prices and terms to be determined by Occidental, which prices or terms, depending on a variety of circumstances that may exist at the time, may be higher or lower or more or less favorable, as the case may be, than those in the Exchange Offers.

## WITHDRAWAL RIGHTS

Tenders of shares of INDSPEC Common Stock made pursuant to the Exchange Offers are irrevocable, except that shares tendered pursuant to the Exchange Offers may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for exchange by Occidental pursuant to the Exchange Offers, may also be withdrawn at any time after the expiration of 60 days from the commencement of the Exchange Offers (May , 1996). If Occidental extends the period of time during which the Exchange Offers are open, is delayed in its acceptance of shares of INDSPEC Common Stock for exchange or is unable to accept shares of INDSPEC Common Stock for exchange pursuant to the Exchange Offers for any reason, then, without prejudice to Occidental's rights under the Exchange Offers, Occidental may retain all shares of INDSPEC Common Stock tendered, and such shares of INDSPEC Common Stock may not be withdrawn except as otherwise provided herein.

To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by Occidental at its address set forth below and must specify the name of the person who tendered the shares of INDSPEC Common Stock to be withdrawn and the number of shares of INDSPEC Common Stock to be withdrawn precisely as it appears on the Letter of Transmittal.

## OCCIDENTAL PETROLEUM CORPORATION

10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention:  
Telephone: (310) 443-  
Facsimile: (310) 443-

If the shares of INDSPEC Common Stock to be withdrawn have been delivered to Occidental, a signed notice of withdrawal must be submitted prior to the release of such shares of INDSPEC Common Stock. In addition, such notice must specify, in the case of shares of INDSPEC Common Stock tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering stockholder) and the serial numbers shown on the particular certificates evidencing the shares of INDSPEC Common Stock to be withdrawn. Withdrawals may not be rescinded, and shares of INDSPEC Common Stock withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offers. However, at any time prior to the Expiration Date, withdrawn shares of INDSPEC Common Stock may be retendered by again following one of the procedures described in "The Exchange Offers -- Procedures for Tendering."

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Occidental, in its sole discretion, which determination shall be final and binding. Neither Occidental nor any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal and neither Occidental nor any other person shall incur any liability for failure to give any such notification.

## PRORATION

If more than 8,504 shares of Class A Common Stock are validly tendered and not withdrawn in the Exchange Offers prior to the Expiration Date, then, upon the terms and subject to the conditions set forth in this Prospectus and the Letter of Transmittal, Occidental will accept 8,504 shares of Class A Common Stock for exchange on a pro rata basis based on the number of shares validly tendered by each stockholder (with the trustee for the ESOP being treated as one stockholder for these purposes). Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock.

## CONDITIONS TO THE CONSUMMATION OF THE EXCHANGE OFFERS

The obligation of Occidental to consummate the Exchange Offers will be subject to the satisfaction or waiver, at or prior to the Closing Date, of certain conditions, including the following: (i) the accuracy, as of the date of the Exchange Agreement and, except in certain cases, as of the Closing Date, of the representations and warranties of INDSPEC set forth in the Exchange Agreement; (ii) INDSPEC's receipt

of agreements, in form and substance reasonably satisfactory to Occidental, terminating or amending certain management, stockholder and other agreements; (iii) Occidental's receipt of certain legal opinions; (iv) the accuracy, as of the date of the Exchange Agreement and as of the Closing Date, of the representations and warranties of all parties set forth in the Merger Agreement, dated as of November 10, 1995 (the "Merger Agreement"), between Roundtable and INDSPEC, and the Voting Agreement, and such parties' compliance with all agreements set forth therein; (v) either (A) holders of at least 90% of the shares of INDSPEC common stock outstanding immediately prior to the Merger shall have voted in favor of, or consented to, the Merger, or (B) holders of less than 10% of the shares of INDSPEC common stock outstanding immediately prior to the Merger shall be eligible for appraisal rights under Delaware law as a result of the Merger; (vi) certain directors of INDSPEC having submitted resignations effective as of the Closing Date; (vii) the average of the last sales prices of Occidental Common Stock on the New York Stock Exchange on each of the 20 consecutive trading days ending on the fifth trading day prior to the Closing Date (the "Valuation Period") being at least \$15, or INDSPEC's election to consummate the transactions contemplated by the Exchange Agreement based on a deemed Occidental Common Stock Value of \$15; (viii) the absence of any requirement that Occidental consolidate in Occidental's consolidated financial statements the results of operations of INDSPEC or any of its subsidiaries after giving effect to the Exchange Offers; (ix) Occidental's receipt from INDSPEC of audited financial statements for the period ended September 30, 1995; (x) the consummation of the transactions contemplated by INDSPEC's Management Agreement with Southern Ionics, Inc., dated April 1, 1995; (xi) Occidental's receipt of comfort letters from INDSPEC's independent public accountants; (xii) the absence of any ongoing damage or similar unplanned event that results in the cessation of all or substantially all of the production at INDSPEC'S resorcinol production facility in Petrolia, Pennsylvania for a period that exceeds, or is reasonably likely to exceed, 30 days; (xiii) the amendment of INDSPEC'S incentive stock option plans to provide that INDSPEC'S Board of Directors will be authorized, as of the Closing Date, to administer such plans; (xiv) the amendment, effective as of the Closing Date, of the certificates of incorporation and bylaws of INDSPEC'S subsidiaries, to include provisions that are the same, or substantially the same, as the provisions in INDSPEC'S certificate of incorporation and bylaws, other than provisions related to capitalization; (xv) the completion of all filings required to be made with, and the receipt of all consents, approvals, permits and authorizations required to be obtained from, government authorities; (xvi) the effectiveness under the Securities Act of the registration statements relating to the Occidental Common Stock to be issued in the Transactions; the registration of the Occidental Common Stock covered by such registration statements under applicable state securities laws; the absence of any order suspending the effectiveness of such registration statements or any post-effective amendments thereto; and the absence of any pending or threatened proceeding for the issuance of such an order by the Commission or any securities authority in any jurisdiction; (xvii) the termination or expiration of the waiting period (and any extension thereof) applicable to the consummation of the Exchange Offers under the HSR Act; (xviii) the absence of any temporary restraining order, preliminary or permanent injunction or other order issued by an governmental authority preventing the consummation of the Exchange Offers, and the absence of any pending or threatened material litigation that challenges the validity, legality or enforceability of the Exchange Agreement, the Merger Agreement, the Voting Agreement or the Enabling Agreement or the transactions contemplated thereby; (xix) the execution and delivery by certain INDSPEC employees of an employment agreement or amendment to such employee's existing employment agreement (see "Management of INDSPEC -- Employment and Other Agreements"); (xx) the amendment of INDSPEC'S Senior Credit Facility or waiver of certain provisions thereof so that the Transactions do not constitute a default thereunder; and (xxi) the absence, during the period beginning on the first day of the Valuation Period and ending on the Closing Date, of (A) any outbreak or escalation of hostilities involving the United States or (B) any material adverse change in the financial markets of the United States, including any general suspension of trading on the New York Stock Exchange or any declaration of any banking moratorium by any of the federal, California or New York government authorities, the effect of any of which events set forth in either clause (A) or (B) is to make it, in the reasonable good faith judgment of Occidental, impracticable to determine the Occidental Common Stock Value on a fair basis because of general disruption of trading in equity securities listed on the New York Stock Exchange. If an event specified in the foregoing clause (xxi) occurs, the Valuation Period will be suspended and will recommence the day after such event ceases to have the effects described in the preceding sentence.

## PROCEDURES FOR TENDERING

The participation by a holder of INDSPEC Common Stock in the Exchange Offers pursuant to one of the procedures set forth below will constitute an agreement between such holder and Occidental in accordance with the terms and subject to the conditions set forth herein and in the accompanying Letter of Transmittal.

To be tendered properly, either (i) certificates for shares of INDSPEC Common Stock or (ii) with respect to vested Options, a properly completed and duly executed Notice of Guaranteed Delivery, in either case, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and any other documents required by the Letter of Transmittal, must be received by Occidental at the address set forth on the back cover of this Prospectus prior to 12:00 midnight, New York City time, on the Expiration Date.

Signatures on a Letter of Transmittal must be guaranteed unless the shares of INDSPEC Common Stock tendered pursuant thereto are tendered by a registered holder. In the event that signatures on a Letter of Transmittal are required to be guaranteed, such guarantee must be by an Eligible Institution. An "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act including (as such terms are defined therein): (i) a bank; (ii) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) savings institution that is a participant in a Securities Transfer Association recognized program. A verification by a notary public alone is not acceptable.

THE METHOD OF DELIVERY OF SHARES OF INDSPEC COMMON STOCK AND OTHER DOCUMENTS TO OCCIDENTAL IS AT THE ELECTION AND RISK OF THE HOLDER. Mailing should be made sufficiently in advance of the Expiration Date to permit delivery to Occidental prior to 12:00 midnight, New York City time, on the Expiration Date.

If the Letter of Transmittal is signed by a person other than a registered holder of any certificate(s) listed, such certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name or names of the registered holder or holders appear on the certificate(s).

If the Letter of Transmittal or Notice of Guaranteed Delivery or any certificates or stock 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 Occidental, proper evidence satisfactory to Occidental of their authority so to act must be submitted.

All questions as to the validity, form, eligibility (including time of receipt), and acceptance of tendered shares of INDSPEC Common Stock will be resolved by Occidental, whose determination will be final and binding. Occidental reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of which would, in the opinion of counsel for Occidental, be unlawful. Occidental also reserves the right to waive any irregularities or conditions of tender as to particular shares of INDSPEC Common Stock. Occidental's interpretation of the terms and conditions of the Exchange Offers (including the instructions in the Letter of Transmittal) will be final and binding. Unless waived, any irregularities in connection with tenders must be cured within such time as Occidental shall determine. Occidental shall not be under any duty to give notification of defects in such tenders and shall not incur any liability for failure to give such notification. Tenders of shares of INDSPEC Common Stock will not be deemed to have been made until such irregularities have been cured or waived. Any shares of INDSPEC Common Stock received by Occidental that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by Occidental to the tendering holder unless otherwise provided in the Letter of Transmittal, promptly following the Expiration Date.

If any certificate representing shares of INDSPEC Common Stock has been destroyed, lost or stolen, the stockholder must (i) furnish to Occidental evidence, satisfactory to it in its discretion, of the ownership of and the destruction, loss or theft of such certificate, (ii) furnish to Occidental indemnity, satisfactory to it in its discretion, and (iii) comply with such other reasonable requirements as Occidental may prescribe.

## TREATMENT OF VESTED OPTIONS

Holders of vested Options may participate in the Exchange Offers by exercising such Options and tendering the shares of Class A Common Stock received upon such exercise. Alternatively, a holder of a vested Option may validly tender shares of Class A Common Stock if prior to 12:00 midnight, New York City time, on the Expiration Date, Occidental receives (i) a properly completed Notice of Guaranteed Delivery duly executed by INDSPEC that (a) sets forth the name and address of the tendering party, (b) sets forth the number of shares tendered pursuant thereto, (c) indicates that (x) the tendering party is entitled to receive shares of Class A Common Stock upon exercise of a vested Option, and (y) INDSPEC has received a properly completed and duly executed Notice of Conditional Exercise exercising such Option, subject only to the condition that Occidental accept the shares issuable thereunder in the Exchange Offers, and directing INDSPEC to deliver such shares directly to Occidental upon notice of acceptance thereof from Occidental, and (d) guarantees that the certificate(s) representing the shares of INDSPEC Common Stock will be deposited by INDSPEC with Occidental at the Closing; and (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any required signature guarantees, as well as all other documents required by the Letter of Transmittal. The Letter of Transmittal permits the tendering party to indicate the priority of acceptance of the shares it has tendered (among certificated shares and shares issuable upon exercise of each vested Option) in the event of proration.

The Exchange Agreement provides that INDSPEC may, to the extent that it is permitted to do so pursuant to the terms of its Indenture and Senior Credit Facility, provide to each holder of vested Options for which the shares issuable upon exercise thereof are accepted by Occidental in the Exchange Offers, as a loan, the amount of the exercise price necessary to exercise such vested Options. INDSPEC's loan to each such holder will be evidenced by a promissory note with a 30 day maturity and an interest rate equal to the lowest rate necessary under applicable Federal tax law to avoid the accrual of imputed interest income thereon. INDSPEC has indicated that if it is able to make such loans, the Notice of Conditional Exercise will also contain a Conditional Note to be executed by the holder of such Options. If INDSPEC determines not to make such loans, it may amend the relevant stock option plans to permit the cashless exercise of the Options on terms mutually acceptable to INDSPEC and Occidental.

## CORRESPONDENCE; REQUESTS FOR INFORMATION

All correspondence in connection with the Exchange Offers and the Letter of Transmittal should be addressed to Occidental at the addresses or telephone number set forth on the back cover page of this Prospectus. Requests for information or additional copies of this Prospectus or the Letter of Transmittal and all other documents required by the Letter of Transmittal should be directed to Occidental.

## PAYMENT OF EXPENSES

Occidental will pay all transfer taxes, if any, applicable to the transfer and sale of INDSPEC Common Stock to it or its order pursuant to the Exchange Offers. If, however, shares of Occidental Common Stock 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 INDSPEC Common Stock tendered hereby, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer and sale of INDSPEC Common Stock to Occidental or its order pursuant to the Exchange Offers, 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.

Occidental has not retained any dealer-manager, exchange agent, information agent or similar soliciting agent in connection with the Exchange Offers. However, INDSPEC has engaged Morgan Stanley and Castle Harlan to act as financial advisors in connection with the Transactions. Whether or not the Exchange Offers are consummated or the Exchange Agreement is terminated, Occidental and INDSPEC will each pay their respective costs and expenses incurred in connection with the negotiation and preparation of the Exchange

Agreement and the consummation of the transactions contemplated thereby; provided, that printing and mailing fees associated with the proxy statement and registration statements prepared in connection therewith and the prospectuses included therein (including this Prospectus) and fees incurred in connection with the preparation of audited consolidated financial statements of INDSPEC and its subsidiaries for the 12-month period ended September 30, 1995 will be paid equally by Occidental and INDSPEC. Notwithstanding the foregoing, if the Exchange Offers are consummated, the fees of Morgan Stanley and the fees and expenses of Castle Harlan will be paid by Occidental.

#### OPINION OF MORGAN STANLEY

In early 1995, INDSPEC requested that three investment banking firms make presentations to INDSPEC in connection with an engagement to act as INDSPEC's financial advisor in a proposed sale of, or business combination involving, INDSPEC. After reviewing the presentations, on March 28, 1995, INDSPEC entered into an engagement letter (the "Morgan Stanley Engagement") with Morgan Stanley, engaging Morgan Stanley to act as INDSPEC's financial advisor. The INDSPEC Board of Directors selected Morgan Stanley primarily because of its expertise in transactions of this kind and its familiarity with the industry in which INDSPEC operates. INDSPEC also engaged Castle Harlan to provide certain financial advice and assistance of an investment banking nature. As part of the Morgan Stanley Engagement, the INDSPEC Board of Directors requested that Morgan Stanley render an opinion to the Board of Directors as to the fairness, from a financial point of view, of the consideration to be received by holders of the Class A Common Stock and the Class B Common Stock (collectively, the "INDSPEC Stockholders") pursuant to the Exchange Agreement (and related documents), in the aggregate. The Occidental Common Stock to be received pursuant to the Exchange Offers and the Additional Consideration, and the Put Offer and the Redemption, are referred to herein, in the aggregate, as the "Transaction Consideration."

On November 10, 1995, Morgan Stanley delivered to the INDSPEC Board of Directors its written opinion that as of the date of such opinion and subject to the various considerations set forth therein, the Transaction Consideration to be received by the INDSPEC Stockholders is, in the aggregate, fair from a financial point of view to such holders.

THE FULL TEXT OF MORGAN STANLEY'S WRITTEN OPINION, DATED NOVEMBER 10, 1995, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS ANNEX IV TO THIS PROSPECTUS AND IS INCORPORATED HEREIN BY REFERENCE. HOLDERS OF INDSPEC COMMON STOCK ARE URGED TO, AND SHOULD, READ THIS OPINION CAREFULLY IN ITS ENTIRETY. MORGAN STANLEY'S OPINION IS DIRECTED ONLY TO THE INDSPEC BOARD OF DIRECTORS AND THE FAIRNESS OF THE TRANSACTION CONSIDERATION TO BE RECEIVED BY THE INDSPEC STOCKHOLDERS, FROM A FINANCIAL POINT OF VIEW TO SUCH HOLDERS, AND IT DOES NOT ADDRESS ANY OTHER ASPECT OF THE EXCHANGE OFFERS NOR DOES IT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER OR NOT TO EXCHANGE CLASS A COMMON STOCK OR CLASS B COMMON STOCK IN THE EXCHANGE OFFERS. THE SUMMARY OF THE OPINION OF MORGAN STANLEY SET FORTH IN THIS PROSPECTUS IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

In rendering its opinion, Morgan Stanley (i) analyzed certain publicly available financial statements and other information of INDSPEC's operating subsidiary, INDSPEC Chemical Corporation; (ii) analyzed certain internal financial statements and other financial and operating data concerning INDSPEC prepared by the management of INDSPEC; (iii) analyzed financial projections prepared by the management of INDSPEC; (iv) discussed the past and current operations and financial condition and the prospects of INDSPEC with senior executives of INDSPEC; (v) analyzed certain publicly available financial statements and other information of Occidental; (vi) discussed the past and current operations and financial condition and the prospects of Occidental with senior executives of Occidental; (vii) reviewed the reported prices and trading activity for Occidental Common Stock; (viii) compared certain financial information of INDSPEC with the financial and trading performance of certain comparable publicly traded companies and their securities; (ix) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions; (x) participated in discussions and negotiations among representatives of INDSPEC and Occidental and their legal advisors, as well as other potential purchasers of INDSPEC; (xi) reviewed the

Exchange Agreement and certain related documents; and (xii) performed other such analyses as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinion. With respect to the financial projections (including management's estimates relating to capital expenditures), Morgan Stanley assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of INDSPEC. With regard to potential environmental liabilities, Morgan Stanley reviewed a 1993 environmental assessment update prepared for INDSPEC Chemical Corporation, and did not conduct an independent appraisal with respect to any environmental liabilities. Morgan Stanley's opinion is necessarily made based on economic, market and other conditions as in effect on, and the information made available to them as of, the date of the opinion.

The following is a brief summary of the analyses performed by Morgan Stanley and reviewed with the INDSPEC Board on November 10, 1995 in connection with Morgan Stanley's opinion to the INDSPEC Board:

**Discounted Cash Flow Analyses.** Morgan Stanley performed discounted cash flow analyses of INDSPEC for the fiscal years ending 1996 through 2000 based on certain financial projections prepared by the management of INDSPEC. Unlevered free cash flows of INDSPEC were calculated as net income plus depreciation, amortization and other non-cash charges less capital expenditures and investment in working capital, adjusted to exclude net interest expense and its associated tax effects. Morgan Stanley calculated terminal values by using two methodologies, including (i) applying a range of multiples (from 6.0x to 8.0x) to projected earnings before interest, taxes, depreciation and amortization ("EBITDA") for the fiscal year ending March 31, 2000, and (ii) applying a range of perpetual growth rates (from 2.0% to 4.0%) to the projected unlevered free cash flow for the fiscal year ending March 31, 2000. The cash flow streams and terminal values were then discounted to the present using a range of discount rates from 12.0% to 14.0%. The present values were subsequently adjusted to reflect the total debt of INDSPEC at September 30, 1995. Based on these analyses, Morgan Stanley calculated a range of implied equity values for INDSPEC from \$930 to \$3,617 per fully diluted share.

**Comparable Company Analysis.** As part of its analysis, Morgan Stanley compared certain financial information of INDSPEC with that of a group of publicly traded chemical companies, including Morton International, Inc., Great Lakes Chemical Corp., Nalco Chemical Co., The Lubrizol Corporation, Loctite Corp., Ethyl Corp. and Betz Laboratories, Inc. (collectively, the "Specialty Chemical Comparables") and M.A. Hanna Co., Cytec Industries, Inc., The Dexter Corporation, H.B. Fuller Co. and Petrolite Corp. (collectively, the "Small Cap Chemical Comparables"). Such financial information included a price to earnings multiple, aggregate value to sales percentage, aggregate value to EBITDA multiple and aggregate value to earnings before interest and income taxes ("EBIT") multiple. Morgan Stanley noted that, based on a compilation of earnings projections by securities research analysts, the Specialty Chemical Comparables traded at an average of 14.8 times 1995 forecasted earnings and 12.9 times 1996 forecasted earnings and the Small Cap Chemical Comparables traded at an average of 14.3 times 1995 forecasted earnings and 12.3 times 1996 forecasted earnings. Morgan Stanley also noted that, based on the last twelve months as of June 30, 1995, the aggregate values for the Specialty Chemical Comparables and the Small Cap Chemical Comparables represented an average of (i) 177% and 71% of sales, respectively, (ii) 8.8 times EBITDA and 5.9 times EBITDA, respectively, and (iii) 11.8 times EBIT and 9.2 times EBIT, respectively. Using the financial information and forecasts provided by management of INDSPEC, Morgan Stanley derived an implied public market trading range for INDSPEC based upon the application of the average of the financial multiples from the Specialty Chemical Comparables and Small Cap Chemical Comparables. This analysis indicated that the implied public market trading range for INDSPEC would have been \$601 to \$2,735 per fully diluted share outstanding.

No company utilized in the comparable company analysis is identical to INDSPEC. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of INDSPEC and other factors that could affect the



public trading value of the Specialty Chemical Comparables or Small Cap Chemical Comparables or the company to which they are being compared. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Analysis of Selected Precedent Transactions. Using publicly available information, Morgan Stanley reviewed the ratio of aggregate value to (i) the latest twelve months sales, (ii) the latest twelve months EBITDA and (iii) the latest twelve months EBIT, in each case, for the following six completed transactions in the chemical industry: Witco Corporation's acquisition of OSi Specialties Holding Co.; Monsanto Company's acquisition of the Kelco division of Merck & Co.; Great Lakes Chemical Corporation's acquisition of certain businesses of Enichem Synthesis SpA; CHPII's acquisition of its interest in INDSPEC; English China Clays plc's acquisition of the specialty chemicals businesses of Calgon Corporation (a subsidiary of Merck & Co.); and an affiliate of Donaldson, Lufkin & Jenrette, Inc.'s acquisition of the organosilicon division of Union Carbide Corporation. Based on an analysis of these transactions, Morgan Stanley calculated (i) an average ratio of aggregate value to latest twelve months sales of 158%, (ii) an average ratio of aggregate value to latest twelve months EBITDA of 7.1x, and (iii) an average ratio of aggregate value to latest twelve months EBIT of 10.8x. Such averages were applied to INDSPEC's corresponding financial statistics to result in implied fully diluted equity values per share of \$770 to \$2,888.

None of the transactions utilized in the analysis of selected precedent transactions are identical to the Transactions contemplated by the Exchange Agreement. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics of INDSPEC and other factors that could affect the acquisition value of the companies to which they are being compared. Mathematical analysis (such as determining the average or median) is not itself a meaningful method of using comparable transaction data.

Occidental Common Stock Performance. Morgan Stanley's analysis of Occidental Common Stock performance consisted of a historical analysis of: closing prices and trading volumes from October 1, 1990 to October 11, 1995; the six months forward percentage change in Occidental Common Stock prices from October 1, 1990 to April 14, 1995; and high and low prices in the twelve months ended October 9, 1995. From October 1, 1990 to October 11, 1995, the Occidental Common Stock traded in the range of \$15.25 to \$25.375 per share (based on its daily closing prices during such time). From the period October 1, 1990 to April 14, 1995, the rolling six month forward percentage change in Occidental Common Stock prices ranged from 39.4% to (25.1)%. In the twelve months ended October 9, 1995, the Occidental Common Stock reached a high of \$24.125 per share and a low of \$18.25 per share (based on its daily closing prices during such time).

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial or summary description. Morgan Stanley believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the entirety of the analyses, would create an incomplete view of the process underlying its opinion. In addition, Morgan Stanley may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting for any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of INDSPEC.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of INDSPEC and Occidental. The analyses performed by Morgan Stanley are not necessarily indicative of actual values, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as a part of Morgan Stanley's analysis of the fairness from a financial point of view of the Transaction Consideration to the INDSPEC Stockholders in the aggregate and were reviewed with the INDSPEC Board in connection with the delivery of Morgan Stanley's opinion dated November 10, 1995. The analyses do not purport to be appraisals or to reflect the prices at which INDSPEC might actually be sold. Because such estimates are inherently subject to uncertainty, none of INDSPEC, Occidental, Morgan Stanley or any other person assumes responsibility for their accuracy. In addition, as described above, Morgan Stanley's opinion and the information provided by it to the INDSPEC Board were two of many factors taken into consideration by the INDSPEC Board in making its determination to approve the Transactions.

Consequently, the Morgan Stanley analyses described above should not be viewed as determinative of the INDSPEC Board's or INDSPEC management's opinion with respect to the value of INDSPEC or of whether the INDSPEC Board or INDSPEC management would have been willing to agree to different Transaction Consideration.

The consideration to be received by the stockholders of INDSPEC pursuant to the Transactions was determined through negotiations between INDSPEC and Occidental and was approved by the INDSPEC Board. Morgan Stanley provided advice to INDSPEC during the course of such negotiations, but did not make a recommendation with respect to the form of or the amount of the Transaction Consideration.

As part of its investment banking business, Morgan Stanley is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuation for estate, corporate and other purposes. In the ordinary course of its business, Morgan Stanley and its affiliates may actively trade the debt securities of INDSPEC or the debt and equity securities of Occidental for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. In the past, Morgan Stanley has provided financial advisory and investment banking services to INDSPEC and Occidental, for which services Morgan Stanley has received customary fees.

Pursuant to the Morgan Stanley Engagement, Morgan Stanley is entitled to an advisory fee for its time and efforts expended in connection with the engagement, estimated to be between \$150,000 and \$250,000, which is payable in the event the transaction is not consummated, and a transaction fee of approximately \$2.3 million, which is payable upon consummation of the Exchange Offers. The Morgan Stanley fee upon consummation of the Exchange Offers will be paid by Occidental. INDSPEC has also agreed to reimburse Morgan Stanley for its out-of-pocket travel and lodging expenses and to indemnify Morgan Stanley and its affiliates against certain liabilities and expenses, including liabilities under Federal securities laws.

#### REGULATORY APPROVALS REQUIRED

The Exchange Offers are subject to the requirements of the HSR Act, and may not be consummated until required information and materials have been furnished to the Antitrust Division of the Department of Justice and the FTC and certain waiting periods have expired or been terminated. Occidental and INDSPEC filed the required information and materials with the Antitrust Division and the FTC, and the waiting period expired on January 17, 1996.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the Exchange Offers. Moreover, the expiration of the HSR Act waiting period does not preclude the Antitrust Division or the FTC from challenging the Exchange Offers on antitrust grounds. Accordingly, at any time before or after the Closing Date, either the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, or certain other persons could take action under the antitrust laws, including seeking to enjoin the Exchange Offers.

The Exchange Offers are also subject to the Takeover Disclosure Law of the State of Pennsylvania, pursuant to which Occidental has filed a notice with the Pennsylvania Securities Commission.

#### INTERESTS OF CERTAIN PERSONS IN THE EXCHANGE OFFERS

**DIFFERENT CLASSES OF STOCK; TREATMENT IN THE EXCHANGE OFFERS.** The stockholders of Roundtable included CHPII, certain persons associated with CHPII, including Messrs. Dunphy, Smith and Siegal, who are all directors of INDSPEC, and Mr. Frank M. Spinola, the President and a director of INDSPEC. In the Merger, Roundtable stockholders received shares of Class B Common Stock in exchange for their shares of Roundtable Common Stock. Stockholders that were not holders of Roundtable Common Stock were not entitled to receive shares of Class B Common Stock in the Merger. As a result of the receipt by stockholders of Roundtable of Class B Common Stock in the Merger, such stockholders are entitled to exchange 100% of their 29,496 shares of Class B Common Stock in the Exchange Offers. In contrast, in the Merger, INDSPEC stockholders other than Roundtable received Class A Common Stock in exchange for their shares of

INDSPEC Common Stock and such stockholders are entitled to exchange not more than their pro rata share of up to 8,504 shares, or approximately 33%, determined on a fully diluted basis, of the shares of Class A Common Stock then expected to be outstanding or subject to issuance upon the exercise of options (excluding shares of Class A Common Stock that certain stockholders have agreed not to tender in the Exchange Offers). See "The Exchange Offers -- Exchange Offer Consideration" and "The Exchange Offers -- Proration."

Each former stockholder of Roundtable has agreed to tender in the Exchange Offers (and not withdraw) all Class B Common Stock held by such stockholder in exchange for Occidental Common Stock. As a result, CHP II and Messrs. Spinola, Dunphy, Smith and Siegal will receive \$58,463,993, \$4,260,480, \$1,233,764, \$1,122,814 and \$68,789, respectively, in value of Occidental Common Stock (see "The Exchange Offers -- Exchange Offer Consideration" for a description of the valuation of Occidental Common Stock in the Exchange Offers) in exchange for their holdings of Class B Common Stock. CHP II and Mr. Dunphy will hold no shares of INDSPEC following consummation of the Exchange Offers. Assuming that the Class A Exchange Offer is fully subscribed and that they do not tender their Class A Common Stock, Messrs. Smith and Siegal will receive Occidental Common Stock in exchange for 91% and 55%, respectively, of their aggregate holdings of shares, or options to acquire shares, of INDSPEC, and will retain 50 and 25 shares or options to acquire shares, respectively, of Class A Common Stock. In connection with his participation in Roundtable, Mr. Spinola agreed that he would not tender any of his Class A Common Stock in the Class A Exchange Offer. Accordingly, Mr. Spinola will receive Occidental Common Stock in exchange for 33% of his aggregate holdings of shares, or options to acquire shares, of INDSPEC and will retain 3,753 shares, or options to acquire shares, of INDSPEC.

Upon consummation of the Merger, all shares of INDSPEC held by Messrs. Danner, Lee, Todd and Covelli were converted into Class A Common Stock. Mr. Danner and Mr. Lee have agreed that they will tender (and not withdraw) all shares of Class A Common Stock held by them in the Class A Exchange Offer. Assuming that the Class A Exchange Offer is fully subscribed and assuming that Mr. Todd and Mr. Covelli also tender all shares of Class A Common Stock held by them, Messrs. Danner, Lee, Todd and Covelli will receive approximately \$1,852,643, \$1,416,942, \$245,310 and \$1,197,261, respectively, in value of Occidental Common Stock in the Class A Exchange Offer and will retain approximately 1,695, 1,296, 224 and 1,095 shares, or vested Options to acquire shares, respectively, of Class A Common Stock following consummation of the Exchange Offers.

EMPLOYMENT AGREEMENTS. Prior to the Merger, INDSPEC terminated its previous employment agreements (each, an "Old Employment Agreement") with Messrs. Spinola, Danner, Lee and Covelli and entered into new employment agreements (each, a "New Employment Agreement") with such executive officers. The termination of the Old Employment Agreements and the effectiveness of the New Employment Agreements is conditioned on, and occurs upon, the Closing of the Exchange Offers. INDSPEC and Mr. Todd also entered into an amendment to Mr. Todd's employment agreement, the effectiveness of which is conditioned on the Closing of the Exchange Offers. Messrs. Spinola and Danner are officers and directors of INDSPEC and Chemical. Mr. Lee is an officer of INDSPEC and Chemical, and Messrs. Covelli and Todd are officers of Chemical. See "Management of INDSPEC." The New Employment Agreements are substantially similar to the Old Employment Agreements but expire upon the earlier of December 31, 2000 or the Conversion Date, rather than December 2, 1996. The New Employment Agreements are described under "Management of INDSPEC -- Employment and Other Agreements." Each New Employment Agreement also provides for a change in the way that severance benefits are calculated, which change may result in a severance payment that is greater or lesser than that provided for pursuant to the Old Employment Agreements depending upon the date on which employment is terminated. The amendment to Mr. Todd's employment agreement includes provisions relating to (i) Mr. Todd's agreement to tender in the Exchange Offers all shares of Class A Common Stock that he is entitled to receive upon exercise of vested Options, (ii) if Mr. Todd so elects, payment to Mr. Todd in exchange for the cancellation of all related Options exercisable for shares of Class A Common Stock of an amount equal to \$1,768.57 multiplied by the number of such shares not acquired by Occidental in the Exchange Offers, and (iii) in the event of Mr. Todd's retirement after December 31, 1996, if Mr. Todd so elects, the surrender by Mr. Todd before June 30, 1997, under certain circumstances of any remaining Options in consideration for the greater of \$2,218.57 per share or the aggregate dollar value per share of Occidental Common Stock that would be received in a Put Offer if the date of surrender were the Put

Offer exchange date, minus the aggregate exercise price. The foregoing amounts would be payable in cash or by delivery of a promissory note or shares of Occidental Common Stock. See "Management of INDSPEC -- Employment and Other Agreements."

**INDEMNIFICATION AND INSURANCE.** Under the Exchange Agreement, all rights to indemnification and exculpation from liability for acts or omissions occurring prior to the Closing existing in favor of the present or former directors, officers or employees, as provided in the respective certificates of incorporation or bylaws of INDSPEC or its subsidiaries or pursuant to other agreements, will survive the Closing Date and continue in full force and effect for a period of at least six years from the Closing Date. Occidental has also agreed to cause INDSPEC to maintain, for a period of not less than six years after the Closing Date, directors' and officers' insurance and indemnification policies for INDSPEC. See "The Exchange Agreement -- Indemnification Insurance."

**ADVISORY FEE TO CASTLE HARLAN.** On March 7, 1995, INDSPEC entered into an engagement letter with Castle Harlan, the investment manager to CHPII, pursuant to which Castle Harlan agreed to provide certain financial advice and assistance of an investment banking nature. In consideration for these services, INDSPEC agreed that Castle Harlan would be entitled to reimbursement for its expenses and, in the event that a sale or other business combination involving INDSPEC should occur, Castle Harlan would be entitled to receive a fee of \$1,250,000. The agreement is terminable by INDSPEC at any time, but with a provision that the right to receive fees extends for 18 months thereafter if a transaction occurs with a party with which discussions were held during the period of the agreement. Castle Harlan will be entitled to payment of the \$1,250,000 fee upon the closing of the Exchange Offers. This payment will be made by Occidental. INDSPEC and Castle Harlan intend to enter into an agreement providing for the satisfaction and release of the Castle Harlan engagement letter, effective as of the closing date of the Exchange Offers, except for continuation of the indemnification and contribution provisions of such engagement letter.

#### MANAGEMENT OF INDSPEC AFTER THE EXCHANGE OFFERS

Upon consummation of the Exchange Offers, it is expected that INDSPEC's current officers will remain in their current positions. Subsequent to the Closing Date, it is expected that INDSPEC's current Class A Directors (Messrs. Spinola, Danner and Scorsone) will remain as Class A Directors and the current Class B Directors (Messrs. Castle, Dunphy and Siegel) will resign. Occidental, as the only holder of Class B Common Stock, will then be entitled to elect all of the Class B Directors. See "Management of INDSPEC."

#### NO APPRAISAL RIGHTS

No appraisal rights will be available to INDSPEC stockholders in connection with the Exchange Offers.

#### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain Federal income tax consequences of the Exchange Offers to holders of INDSPEC Common Stock and is based on the Federal income tax law now in effect, which is subject to change, possibly retroactively. This summary does not discuss all aspects of Federal income taxation which may be important to particular holders of INDSPEC Common Stock in light of their individual investment circumstances, including holders who hold, directly or indirectly, 10% or more of INDSPEC Common Stock, holders who acquired their INDSPEC Common Stock pursuant to the exercise of Options or otherwise as compensation, and certain types of holders subject to special tax rules (e.g., financial institutions, broker-dealers, insurance companies, tax-exempt organizations, and foreign taxpayers). In addition, this summary does not address state, local or foreign tax consequences, nor does it address specific tax consequences that may be applicable to holders of Options or warrants to purchase INDSPEC Common Stock ("warrants"). Stockholders are urged to consult their tax advisors regarding the specific Federal, state, local, and foreign income and other tax consequences of the Exchange Offers.

The receipt of Occidental Common Stock in exchange for shares of INDSPEC Class A Common Stock or Class B Common Stock pursuant to the Exchange Offers will be a taxable transaction for Federal income tax purposes. In general, a holder of INDSPEC Common Stock will recognize gain or loss for Federal income tax purposes equal to the difference between (i) the sum of the fair market value of the Occidental Common

Stock received and any cash received in lieu of a fractional share, and (ii) the holder's adjusted basis in the shares exchanged. Assuming the shares exchanged constitute capital assets in the hands of the holder, such gain or loss will be capital gain or loss and will be long-term gain or loss if the holder has held the shares for more than one year at the time of the sale. A holder who receives shares of Occidental Common Stock in exchange for INDSPEC Common Stock will have a basis in the shares received equal to the fair market value of such shares on the Closing Date, and the holding period of such shares will begin on the day immediately following the Closing Date.

The Federal income tax consequences of the receipt of shares of Occidental Common Stock by holders of Retained Stock as Additional Consideration is subject to uncertainty, particularly with respect to both the timing of income recognition and the character of the income. The legal authorities that are potentially applicable to the treatment of the receipt of the Additional Consideration do not address facts and circumstances sufficiently analogous to those pertaining to the Additional Consideration to provide definitive guidance regarding the most appropriate treatment of the receipt of the Additional Consideration. Accordingly, it is not possible for counsel to render an opinion regarding the tax treatment that will apply to the Additional Consideration. There is a substantial risk that the Internal Revenue Service will contend that the receipt of shares of Occidental Common Stock may be treated as a fee for consenting to the Merger and thus would, upon receipt, be includible in income as ordinary income in an amount equal to the sum of the fair market value of such shares and any cash received in lieu of fractional shares. There may, however, be alternative tax consequences of the receipt of shares of Occidental Common Stock as Additional Consideration. Holders of Retained Stock should consult their tax advisors regarding such alternative tax consequences, including whether the receipt of such shares (i) would give rise to capital gain rather than ordinary income even if the receipt is treated as a payment for consent, (ii) would be treated as exchanged for shares of Class A Common Stock, and (iii) would not be currently includible in income but would be treated as part of an open transaction that would close (i.e., be subject to tax) upon the sale, disposition or redemption of such shares, or upon the lapse of Occidental's rights pursuant to the Restated Certificate to effectuate, directly or indirectly, a Redemption.

#### ACCOUNTING TREATMENT

Upon consummation of the Exchange Offers, Occidental intends to account for its interest in INDSPEC using the equity method until such time as it owns more than 50% of the aggregate voting power of both classes of INDSPEC common stock, at which time Occidental intends to account for its interest using the purchase method of accounting for business combinations.

#### ESOP PARTICIPATION

Pursuant to the terms of the ESOP, the trustee for the ESOP will determine whether or not to tender the ESOP's shares of Class A Common Stock in the Exchange Offers. Participants in the ESOP will not be entitled to direct the trustee to tender such shares. The trustee for the ESOP will be treated as one stockholder for purposes of proration in the Exchange Offers. See "The Exchange Offers -- Proration."

#### PROJECTED FINANCIAL INFORMATION OF INDSPEC

In the course of discussions with Morgan Stanley and Occidental, INDSPEC provided Morgan Stanley and Occidental with certain projected financial data for the fiscal years ending March 31, 1996, 1997, 1998, 1999, and 2000. This data was not prepared with a view to public disclosure or compliance with published guidelines of the Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections, and is included in this Prospectus only because it was provided to Morgan Stanley and Occidental. INDSPEC's independent auditors have not examined, compiled or applied any procedures with respect to this data and express no opinion or any kind of assurance thereon. None of INDSPEC, Occidental or Morgan Stanley, or any of their respective advisors, assumes any responsibility for the validity, reasonableness, accuracy or completeness of this projected financial data. While presented with numerical specificity, this projected financial data is based on a variety of assumptions relating to the business

of INDSPEC (some of which are listed below) which, although considered appropriate by INDSPEC, may not be realized. Moreover, the data is subject to significant uncertainties and contingencies, many of which are beyond the control of INDSPEC. Therefore, this projected data is inherently imprecise, and there can be no assurance that projected financial results will be realized. It is expected that there will be a difference between actual and projected results and actual results may vary materially from those shown. Neither INDSPEC nor Occidental intends to update or otherwise revise this projected data. The inclusion of the projections herein should not be regarded as an indication that INDSPEC, Occidental or Morgan Stanley considers it an accurate prediction of future results. INDSPEC stockholders are cautioned not to place undue reliance on the projections, which should be read together with the other information relating to the business, assets and financial condition of INDSPEC, and the consolidated financial statements of INDSPEC, included herein. See "Business of INDSPEC," "Selected Historical Financial Information of INDSPEC," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Index to Financial Statements." Set forth below is a summary of the projected financial data prepared by INDSPEC in April 1995 and subsequently provided to Morgan Stanley and Occidental.

## FOR THE YEAR ENDING MARCH 31,

	1996	1997	1998	1999	2000
(IN MILLIONS)					

## INCOME STATEMENT DATA:

Net sales.....	\$129.4	\$137.9	\$148.6	\$175.7	\$192.1
Operating expenses (excluding depreciation and amortization).....	84.5	87.9	93.1	111.4	120.4
Depreciation and amortization.....	15.2	15.8	16.5	21.1	21.7
Operating profit.....	29.7	34.2	39.0	43.2	50.0
Interest expense and debt amortization costs.....	18.2	17.3	17.2	14.5	15.4
Income taxes.....	4.8	7.0	8.2	11.6	15.9
Net income.....	6.7	9.9	13.6	17.1	18.7

## AS OF MARCH 31,

	1996	1997	1998	1999	2000
(IN MILLIONS)					

## BALANCE SHEET DATA:

Accounts receivable.....	\$ 18.0	\$ 19.2	\$ 20.7	\$ 24.4	\$ 26.7
Inventory.....	16.4	17.5	18.8	22.3	24.3
Net fixed assets.....	99.9	126.5	130.0	121.1	111.5
Long-term debt (including current portion)....	158.7	165.2	150.6	127.1	127.1

The foregoing summary projected financial data does not take into account any of the potential effects of the Transactions contemplated by the Exchange Agreement, including the Merger and the Exchange Offers. INDSPEC prepared the projected financial data in April 1995 based on the following assumptions:

1. Global assumptions. The projections assume that no significant technological, environmental or regulatory developments occur, of either a favorable or unfavorable nature, that would affect INDSPEC's chemical operations, although it is assumed that INDSPEC is successful in developing hydroperoxidation technology for the production of resorcinol at a plant (the "New Plant") to be constructed in the future. The projections also assume no significant interruption of the operation of the Petrolia plant, or of its significant suppliers or customers. It is assumed that worldwide economic growth is 2.5% per year and that the value of the U.S. Dollar remains stable with respect to other currencies throughout the projection period.

2. Net sales. The projections assume that no new competitive resorcinol plants (other than the New Plant) are completed during the projection period. It is also assumed that INDSPEC will increase capacity at its Petrolia plant from a proven capacity of 47 million pounds per year to 50 million pounds per year. It is assumed that the New Plant is completed in 1999 and net sales for that year include revenue from the sale of ten million pounds of resorcinol from the New Plant.

3. Operating expenses. Production costs, not including raw material costs, are assumed to increase by 8% per year at the Petrolia plant until the New Plant is completed and then are assumed to remain constant as production is shifted to the New Plant. Raw material costs are assumed to increase 26% in 1996 due to a 65% increase in caustic soda prices and then to decline 8% in 1997 as caustic soda prices are projected to decline 17% and then remain constant for the balance of the projection period. Selling, research, general and administrative costs are assumed to increase 4% per year throughout the projection period plus an additional \$1 million per year of overhead is added for each of 1999 and 2000 due to the addition of the New Plant. Operating expenses include, among other items, forecasts of profit sharing expense and bonuses to officers of \$4.7 million, \$5.3 million, \$5.7 million, \$6.3 million and \$6.8 million, respectively, for each of the five years ending March 31, 2000; management fees to Castle Harlan of \$1 million for each of the five years ending March 31, 2000; and research and development expenses incurred in connection with the New Plant of \$1 million for the year ending March 31, 1996.

4. Depreciation and amortization. The depreciation rate on all capital spending is assumed to be 10 years utilizing the straight line method of depreciation.

5. Interest expense and debt amortization costs. INDSPEC has the option of borrowing under the Senior Credit Facility at LIBOR plus approximately 2.5% or at the prime rate plus approximately 1.5%. To date, substantially all of the borrowing has occurred under the LIBOR-based option. The projections assume that all the borrowing will occur under the LIBOR option at an effective rate of 8.5% to 8.75%. It is assumed that the senior subordinated notes are outstanding for the entire projection period and that no notes are tendered in the event of a change of control occurrence as a result of the Exchange Agreement being consummated.

6. Income taxes. Income tax rates are assumed to remain at the rates in effect in March 1995 throughout the projection period.

7. Capital spending. INDSPEC is projected to spend approximately \$6 million per year in capital expenditures maintaining and improving the Petrolia resorcinol facility. The New Plant is assumed to require capital expenditures of \$2 million in 1996, \$30 million in 1997, and \$8 million in 1998.

#### COMPARISON OF RIGHTS OF INDSPEC STOCKHOLDERS AND OCCIDENTAL STOCKHOLDERS

Pursuant to the Exchange Offers, INDSPEC Stockholders who elect to receive shares of Occidental Common Stock in exchange for shares of INDSPEC Common Stock will become stockholders of Occidental. The following is a summary of certain similarities and material differences between the rights of INDSPEC Stockholders and the rights of holders of Occidental Common Stock. INDSPEC and Occidental are both organized under the General Corporation Law of the State of Delaware (the "DGCL"). Any differences, therefore, in the rights of INDSPEC stockholders and the rights of holders of Occidental Common Stock arise solely from differences in their respective certificates of incorporation and bylaws and the Rights Agreement, dated as of October 17, 1986 (the "Rights Agreement"), between Occidental and Chemical Bank. This summary does not purport to be a complete description of the similarities and differences between the rights of such holders, and is subject, and qualified in its entirety by reference, to the INDSPEC Certificate, the bylaws of INDSPEC (the "INDSPEC Bylaws"), the amended and restated certificate of incorporation of Occidental (the "Occidental Certificate"), the bylaws of Occidental (the "Occidental Bylaws") and the Rights Agreement. The identification of specific differences is not meant to indicate that other equally or more significant differences do not exist.

#### BOARD OF DIRECTORS

Under Delaware law, the number of directors shall be fixed by or in the manner provided in the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment to the certificate. Pursuant to the Occidental Certificate, Occidental's Board of Directors is divided into three classes, consisting initially of four Class I directors, five

Class II directors and five Class III directors. The directors of each class serve three-year terms, with the term for each class of directors ending in different years. The number of directors may be changed from time to time in accordance with the Occidental Bylaws, provided that any increase or decrease in the number of directors is apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible.

Pursuant to the INDSPEC Certificate and INDSPEC Bylaws, prior to the Conversion Date (as defined below), and subject to any rights to elect additional directors that may be granted to the holders of any series of INDSPEC Preferred Stock, the INDSPEC Board of Directors will continue to consist of six members, three of whom are Class A Directors elected by the holders of Class A Common Stock, voting as a separate class, and three of whom are Class B Directors, elected by the holders of Class B Common Stock, voting as a separate class. The INDSPEC Bylaws provide that, from and after the Conversion Date, the INDSPEC Board of Directors will consist of not less than one nor more than 15 members, the exact number of which will initially be six and will thereafter be fixed from time to time by the Board of Directors.

The "Conversion Date" is the earliest to occur of (i) the fifth anniversary of the first date on which Occidental acquires 67% or more of the total number of shares of INDSPEC Class A Common Stock and Class B Common Stock outstanding, determined on a fully diluted basis, (ii) the consummation of the Put Offer or the redemption of Class A Common Stock in accordance with the INDSPEC Certificate, (iii) the first day after the Closing Date on which Occidental owns no shares of Class B Common Stock and (iv) the termination of the Exchange Agreement prior to the closing of the Exchange Offers, unless the holders of a majority of the Class B Common Stock otherwise agree in writing.

Except as otherwise provided in the INDSPEC Certificate, prior to the Conversion Date, all actions to be taken by the INDSPEC Board of Directors require the affirmative vote of the greater of (i) five directors or (ii) a majority of the directors then in office. Prior to the Conversion Date, the INDSPEC Bylaws prohibit INDSPEC from taking certain specified actions, and require INDSPEC to cause its subsidiaries not to take any of such actions, unless such action has been authorized by INDSPEC's Board of Directors.

#### AMENDMENT OF CERTIFICATE OF INCORPORATION

The Occidental Certificate may be amended upon (i) the approval of Occidental's Board of Directors and (ii) the affirmative vote of the holders of a majority of the Occidental Common Stock then outstanding. The INDSPEC Certificate may be amended only upon (i) the approval of INDSPEC's Board of Directors, (ii) the affirmative vote of holders of a majority of the shares of Class A Common Stock and Class B Common Stock outstanding and (iii) the affirmative vote of holders of a majority of the outstanding stock of each class entitled to vote thereon as a class. Under the DGCL, the holders of the outstanding shares of Class A Common Stock or Class B Common Stock will be entitled to vote as a class upon a proposed amendment if the amendment would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

#### AMENDMENT OF BYLAWS

Under Delaware law, the power to adopt, amend or repeal bylaws is vested in the stockholders unless the certificate of incorporation confers the power to adopt, amend or repeal bylaws upon the directors as well. Both the Occidental Certificate and the INDSPEC Certificate confer such power on their respective boards of directors. However, prior to the Conversion Date, the INDSPEC Bylaws may be adopted, amended or repealed by the stockholders of INDSPEC only if the holders of a majority of the shares of Class A Common Stock then outstanding and the holders of a majority of the shares of Class B Common Stock then outstanding have approved such adoption, amendment or repeal.

#### NOMINATIONS OF DIRECTORS

Under the Occidental Bylaws, nominations of persons for election to the Occidental Board of Directors may be made at a meeting of stockholders by any stockholder, provided that the Secretary of Occidental



receives written notice not less than 50 days nor more than 75 days prior to the meeting. If less than 60 days' notice or prior public disclosure of the date of the meeting is given or made by Occidental to stockholders, the notice of a nomination must be received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure was made. Notices of nominations, among other things, must state the nominee's name, age, business and residential address and principal occupation and employment, as well as the class and number of shares of capital stock of Occidental beneficially owned by such nominee and any other information about the nominee required to be disclosed in solicitations for proxies for the election of directors pursuant to Section 14 of the Exchange Act. In addition, the notice must state the name and record address of the nominating stockholder and the class and number of shares of Occidental beneficially owned by the stockholder. The INDSPEC Bylaws do not contain any similar advance notice provisions for the nomination of directors of INDSPEC. However, prior to the Conversion Date, only Class A Directors and holders of Class A Common Stock may nominate a candidate for election as a Class A Director and only Class B Directors and holders of Class B Common Stock may nominate a candidate for election as a Class B Director.

#### STOCKHOLDER PROPOSAL PROCEDURES

Under the Occidental Bylaws, business is properly brought before an annual meeting if the Secretary of Occidental receives written notice not less than 50 days nor more than 75 days prior to the annual meeting. If less than 60 days' notice or prior public disclosure of the date of the annual meeting is given or made by Occidental to stockholders, notice by the stockholder must be received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or public disclosure was made, whichever first occurs. Stockholder notices must state, among other things, a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, the name and record address of the stockholder proposing the business, the class and number of shares of Occidental beneficially owned by the stockholder and any material interest in such business. The INDSPEC Bylaws do not contain any similar advance notice provisions for stockholder proposals.

#### SPECIAL MEETINGS OF STOCKHOLDERS

Under Delaware law, special meetings of the stockholders may be called by the board of directors or such other persons as may be authorized by the certificate of incorporation or bylaws. Special meetings of Occidental's stockholders may only be called by Occidental's Board of Directors or its Chairman. Under the INDSPEC Bylaws, special meetings may be called by INDSPEC's Chairman (if any), President, any Vice President, the Secretary or any Assistant Secretary and must be called by any such officer at the request in writing of a majority of INDSPEC's directors or at the request in writing of stockholders owning a majority of the capital stock issued and outstanding and entitled to vote at such meeting.

#### DIRECTORS' LIABILITY

The Occidental Certificate and the INDSPEC Certificate both contain provisions which eliminate the personal liability of their directors for monetary damages resulting from breaches of their fiduciary duty other than liability, to the extent provided by applicable law, for breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, violations under Section 174 of the DGCL or any transaction from which the director derived an improper personal benefit.

#### INDEMNIFICATION

Both the Occidental Bylaws and the INDSPEC Bylaws provide for the indemnification of directors, officers and persons serving at the request of the respective corporations as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise to the fullest extent authorized by the DGCL.

## CERTAIN VOTING RIGHTS FOR MERGERS

Under Delaware law, any merger, consolidation or sale of all or substantially all of the assets of a corporation requires the approval of the holders of a majority (unless the certificate of incorporation requires a higher percentage) of the outstanding shares of such corporation entitled to vote thereon. Neither the Occidental Certificate nor the INDSPEC Certificate requires a higher percentage.

## CUMULATIVE VOTING

Under Delaware law, stockholders of a corporation are not entitled to cumulate their votes in the election of directors unless the corporation's certificate of incorporation so provides. Neither the Occidental Certificate nor the INDSPEC Certificate provides for cumulative voting.

## REMOVAL OF DIRECTORS

Pursuant to Delaware law, any or all directors of a corporation which does not have cumulative voting or a classified board may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors. Occidental's Board of Directors is divided into three classes. Consequently, members of Occidental's Board of Directors may be removed by Occidental stockholders only for cause. Under the INDSPEC Certificate, prior to the Conversion Date, Class A Directors may be removed only by an affirmative vote of the holders of a majority of the shares of Class A Common Stock then outstanding, and Class B Directors may be removed only by an affirmative vote of the holders of a majority of the shares of Class B Common Stock then outstanding.

## FILLING VACANCIES ON THE BOARD OF DIRECTORS

Under Delaware law, unless otherwise provided in the certificate of incorporation or bylaws, vacancies and newly-created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. The Occidental Bylaws require the majority vote of a quorum of the directors then in office in order to fill any newly-created directorship resulting from an increase in the number of directors. Under the INDSPEC Certificate, prior to the Conversion Date, during the interval between annual meetings of INDSPEC stockholders for the election of directors, (i) any vacancy or vacancies in the Class A Directors may, subject to applicable law, be filled by a majority vote of the remaining Class A Directors then in office, even though less than a quorum, and (ii) any vacancy or vacancies in the Class B Directors may, subject to applicable law, be filled by a majority vote of the remaining Class B Directors then in office, even though less than a quorum. Any Class A Director or Class B Director so elected to fill a vacancy will hold office for the unexpired term in respect of which the vacancy occurred and until his successor has been elected and qualified or until his earlier death, resignation or removal in the manner provided by the INDSPEC Certificate.

## STOCKHOLDER ACTION BY WRITTEN CONSENT

Under Delaware law, unless otherwise provided in the certificate of incorporation, any action which may be taken at any annual or special meeting may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares 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. Any action required or permitted to be taken by the stockholders of Occidental must be effected at an annual or special meeting of stockholders of Occidental and may not be effected by any consent in writing of such stockholders. The INDSPEC Certificate does not contain any provisions that would prohibit stockholder action by written consent.

## PREFERRED STOCK

The Occidental Certificate and the INDSPEC Certificate both expressly authorize the Board of Directors to provide for the issuance of shares of preferred stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences and relative, participating, optional or other special rights and such qualifications,

limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the board of directors providing for the issuance of such class or series and as may be permitted by the DGCL.

#### COMMON STOCK

Occidental has only one class of common stock and each holder of Occidental Common Stock is entitled to one vote per share on each matter upon which stockholders have the right to vote. The INDSPEC Certificate provides for two classes of common stock -- Class A Common Stock and Class B Common Stock. Except as otherwise provided in the INDSPEC Certificate, each share of Class A Common Stock and Class B Common Stock is identical in all respects and has equal powers, preferences, rights and privileges. Holders of Class A Common Stock and Class B Common Stock vote together as a single class on every matter submitted to a vote of the stockholders of INDSPEC, except as to those matters on which separate class voting is required by applicable law or by the INDSPEC Certificate. Prior to the Conversion Date, every holder of Class A Common Stock is entitled to 4.8 votes for each share of Class A Common Stock standing in such holder's name in the transfer books of INDSPEC, and every holder of Class B Common Stock is entitled to one vote for each share of Class B Common Stock standing in such holder's name in the transfer books of INDSPEC. Prior to the Conversion Date, holders of Class A Common Stock and holders of Class B Common Stock vote as separate classes in the election of Class A Directors and Class B Directors, respectively. From and after the Conversion Date, every holder of Class A Common Stock and Class B Common Stock will be entitled to one vote for each share standing in such holder's name in the transfer books of INDSPEC.

Pursuant to the INDSPEC Certificate, INDSPEC may not effect a stock split (whether by dividend or otherwise), reverse stock split, reclassification or other similar event with respect to the Class A Common Stock or the Class B Common Stock unless it effects at the same time an identical stock split, reverse stock split, reclassification or other similar event with respect to both the Class A Common Stock and the Class B Common Stock.

Subject to the rights of holders of any series of preferred stock, dividends will be paid on the Class A Common Stock and Class B Common Stock when, as and if declared by the INDSPEC Board of Directors and may be payable in cash, property or securities of INDSPEC; provided, that (i) the holders of Class A Common Stock and Class B Common Stock are entitled to share equally, share for share, in such dividends; and (ii) if dividends or distributions are declared that are payable in shares of, or in subscription or other rights to acquire shares of, Class A Common Stock or Class B Common Stock, dividends or distributions will be declared that are payable at the same rate per share on Class A Common Stock and Class B Common Stock, and the dividends or distributions payable in shares of, or in subscription or other rights to acquire shares of, any particular class of INDSPEC common stock will be made available to each holder of Class A Common Stock and Class B Common Stock.

Prior to the Conversion Date, each share of Class A Common Stock acquired by Occidental will, without any action on the part of Occidental, be automatically converted into one share of Class B Common Stock. Prior to the Conversion Date, INDSPEC is required to reserve and keep available out of the authorized and unissued shares of Class B Common Stock, solely for the purpose of effecting the conversion of the outstanding Class A Common Stock, such number of shares of Class B Common Stock as shall from time to time be sufficient to effect a conversion of all shares of Class A Common Stock, and INDSPEC may not take any action that would cause the total number of shares of Class B Common Stock then outstanding or issuable upon the conversion of the shares of Class A Common Stock then outstanding or reserved for issuance for any other purpose to exceed the total number of shares of Class B Common Stock authorized.

#### REDEMPTION OF CLASS A COMMON STOCK

The Occidental Common Stock is not subject to redemption. Pursuant to the INDSPEC Certificate, at any time on or after the fifth anniversary of the Closing Date and on or before the seventh anniversary of the Closing Date, upon receipt of a written notice from Occidental requesting the redemption of Class A Common Stock, all shares of Class A Common Stock then outstanding will be redeemed (the "Notice Redemption") for that number of shares of Occidental Common Stock equal to (i) the number of shares of Class A

Common Stock so redeemed, multiplied by (ii) the Notice Redemption Ratio (as defined below). The Notice Redemption will occur on the date specified by Occidental in its notice but must be the last business day of a fiscal month and a date not less than 45 days after the date of Occidental's notice.

In addition, if (i) Occidental acquires 67% or more of the total number of shares of Class A Common Stock and Class B Common Stock then outstanding (determined on a fully diluted basis but excluding any shares acquired pursuant to the Put Offer), or (ii) a number of shares of Class A Common Stock have been tendered pursuant to the Put Offer such that, upon the acquisition of such shares, Occidental would own 67% or more of the total number of shares of Class A Common Stock and Class B Common Stock then outstanding (determined on a fully diluted basis), then at any time during the 90-day period beginning on the first business day after such acquisition (or, in the case of clause (ii), the tender of such shares), upon receipt by INDSPEC from Occidental of a written notice to such effect, INDSPEC is required to redeem (the "Threshold Redemption") all of the shares of Class A Common Stock then outstanding for that number of shares of Occidental Common Stock equal to (A) the number of shares of Class A Common Stock so redeemed, multiplied by (B) the Threshold Redemption Ratio (as defined below).

In the event of a Notice Redemption or Threshold Redemption, INDSPEC will mail each record holder of shares of Class A Common Stock, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, a notice which will include or be accompanied by all information required by law and will specify the method of calculating the Notice Redemption Ratio or the Threshold Redemption Ratio, as the case may be, the redemption date, and the place or places at which the shares of Class A Common Stock will be redeemed.

No fractional shares or scrip representing fractional shares of Occidental Common Stock will be issued upon redemption of shares of Class A Common Stock. The number of full shares of Occidental Common Stock issuable upon redemption of shares of Class A Common Stock will be computed on the basis of the aggregate number of shares of Class A Common Stock surrendered by each record holder thereof. In lieu of any fractional shares of Occidental Common Stock that would otherwise be issuable upon redemption of any shares of Class A Common Stock, the holder thereof will be entitled to a cash payment with respect to such fractional share.

INDSPEC will not be required to pay any tax that may be payable in respect of any issuance or delivery of shares of Occidental Common Stock issuable upon redemption of Class A Common Stock, and no such issuance or delivery will be made unless and until the holder of shares of Class A Common Stock being redeemed has paid the amount of any such tax or has established, to the satisfaction of INDSPEC, that such tax has been paid.

The "Notice Redemption Ratio" is equal to (i) (a) an amount equal to (x) the EBITDA Multiple (as defined below) multiplied by 95% of the LTM Operating EBITDA (as defined below), minus (y) Net Debt (as defined below) plus Other Liabilities (as defined below), in each case calculated as of the last day of the fiscal month immediately preceding the fiscal month in which the redemption date occurs, divided by (b) the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding on the redemption date, determined on a fully diluted basis, divided by (ii) the average of the closing prices of Occidental Common Stock on the New York Stock Exchange on the 20 consecutive trading days immediately preceding the fifth trading day next preceding the redemption date (subject to adjustment for certain events, including a dividend on, or subdivision, reclassification, combination or other recapitalization affecting, the Occidental Common Stock).

The "Threshold Redemption Ratio" is equal to (i) (a) (x) an amount equal to (1) the EBITDA Multiple multiplied by the LTM Operating EBITDA, minus (2) Net Debt plus Other Liabilities, in each case calculated as of the last day of the fiscal month immediately preceding the fiscal month in which the redemption date occurs, divided by (y) the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding on the redemption date, determined on a fully diluted basis, or (b) if (x) the Threshold Redemption is being made as a result of Occidental's acquisition of 67% or more of the total number of shares of Class A Common Stock and Class B Common Stock then outstanding and (y) the highest purchase price per share of Class A Common Stock paid by Occidental in acquiring any shares of

Class A Common Stock during the 12 months immediately preceding the redemption date (excluding any shares acquired on or prior to the Closing Date) is greater than the amount of clause (a) above, such purchase price, divided by (ii) the average of the closing prices of Occidental Common Stock on the New York Stock Exchange on the 20 consecutive trading days immediately preceding the fifth trading day next preceding the redemption date (subject to adjustment for certain events, including a dividend on, or subdivision, reclassification, combination or other recapitalization affecting, the Occidental Common Stock).

For purposes of determining the Notice Redemption Ratio, the Threshold Redemption Ratio and certain other matters arising under the Enabling Agreement discussed below, the following terms have the meanings set forth below:

"Corporation Accounting Practices" means the principles, methods and practices used by INDSPEC and its consolidated subsidiaries in the preparation of financial statements of INDSPEC and its consolidated subsidiaries as of, and for the twelve months ended, September 30, 1995.

"Debt" as of any date means the sum (without duplication) of (i) long-term debt (including the current portion of long-term debt) of INDSPEC and its consolidated subsidiaries on such date, (ii) capitalized lease obligations of INDSPEC and its consolidated subsidiaries on such date, (iii) reimbursement obligations of INDSPEC and its consolidated subsidiaries on such date with respect to drawings under letters of credit and (iv) all liabilities of others of the kind described in clauses (i), (ii) and (iii), above, that INDSPEC or any of its consolidated subsidiaries has guaranteed or otherwise expressly assumed, in the case of clause (i), (ii) or (iii), above, as determined in accordance with GAAP and the Corporation Accounting Practices applied on a consistent basis, and in the case of clause (iv), above, in an amount equal to the maximum liability thereunder upon the occurrence of the contingency giving rise to the obligation thereunder.

"EBITDA Multiple" means .

"GAAP" means generally accepted accounting principles, as in effect in the United States on September 30, 1995.

"LTM Operating EBITDA" means, as of any date, the operating profit of INDSPEC and its consolidated subsidiaries, for the last twelve fiscal months ending on or prior to such date (the "measurement period"), plus, to the extent deducted in calculating such operating profit (or minus, to the extent added in calculating such operating profit), (i) depreciation and amortization expense, (ii) profit sharing expense and bonuses to officers, (iii) research and development expenses (and other expenses not in excess of \$1,000,000 in the aggregate for the measurement period) incurred in connection with the New Plant; provided, that the amounts referred to in this clause (iii) will be added back to operating profit only with respect to expenses incurred prior to the New Plant Start-up Date, (iv) management fees to Castle Harlan attributable to the Castle Harlan Management Agreement (as defined in the Exchange Agreement), all determined in accordance with GAAP and Corporation Accounting Practices applied on a consistent basis; provided, however, that to the extent that there is a change in Corporation Accounting Practices during the measurement period in order to conform Corporation Accounting Practices to GAAP, then that amount of revenue or expense arising as a result of such change in Corporation Accounting Practices shall be added or subtracted, as the case may be, to LTM Operating EBITDA, but only to the extent that such revenue or expense is attributable to the measurement period.

"Net Debt" means, as of any date, (i) the sum (without duplication) of all Debt of INDSPEC and its consolidated subsidiaries as of such date, plus all accrued but unpaid interest thereon as of such date, plus the Working Capital Adjustment, if any, as of such date, less (ii) the sum of (a) cash and cash equivalents of INDSPEC and its consolidated subsidiaries as of such date, plus (b) the aggregate amount of all payments to be received by INDSPEC upon the exercise of any unexercised options (whether vested or unvested) as of such date, plus (c) the amount of New Plant Capital Expenditures as of such date, all determined in accordance with GAAP and Corporation Accounting Practices applied on a consistent basis.

"New Plant" means INDSPEC's proposed new resorcinol production facility.

"New Plant Capital Expenditures" means the aggregate expenditures with respect to the New Plant (including construction period interest) that are capitalized on INDSPEC's financial statements prepared for, or as of the last day of, the fiscal month in which the New Plant Start-up Date occurs, but only to the extent such expenditures are required or permitted to be so capitalized by or in accordance with GAAP and Corporation Accounting Practices applied on a consistent basis; provided, however, that for purposes of determining the Notice Redemption Ratio, the Threshold Redemption Ratio and the Put Offer Ratio, and for no other purpose, the amount of New Plant Capital Expenditures shall be subject to adjustment as follows: (i) as of the last day of the first full fiscal month following the fiscal month in which the New Plant Start-up Date occurs, the amount of New Plant Capital Expenditures shall be reduced by an amount equal to one-twelfth of the amount thereof as of the last day of the fiscal month in which the New Plant Start-up Date occurs, and (ii) for each of the eleven fiscal months thereafter, the amount of New Plant Capital Expenditures shall be reduced by an additional one-twelfth of the amount thereof as of the last day of the fiscal month in which the New Plant Start-up Date occurs.

"New Plant Start-up Date" means the first to occur of (i) the date following the first 30 consecutive days of production at the New Plant during which period such facility produces not less than 90% of its nameplate capacity or (ii) the date 120 days after the date on which the New Plant produces one pound of commercial grade resorcinol.

"Other Liabilities" means, as of any date, the sum (without duplication) of all liabilities (other than current liabilities, Debt and net deferred income taxes) of INDSPEC and its consolidated subsidiaries as of such date (including, without limitation, all environmental and other reserves and pension and post retirement obligations), in each case, that are required to be recorded as of such date in accordance with GAAP and Corporation Accounting Practices applied on a consistent basis.

"Working Capital" means, as of any date, (i) current assets (excluding cash and cash equivalents) of INDSPEC and its consolidated subsidiaries, as of such date, less (ii) current liabilities (excluding the current portion of long-term debt and accrued but unpaid interest thereon) of INDSPEC and its consolidated subsidiaries, as of such date, all determined in accordance with GAAP and the Corporation Accounting Principles applied on a consistent basis.

"Working Capital Adjustment" means, with respect to any determination of the amount of Net Debt, the amount equal to (i) (a) the sum of the amounts of Working Capital as of the last day of each of the four fiscal quarters preceding the date of such determination of the amount of Net Debt, divided by (b) four, minus (ii) the amount of Working Capital as of such date of determination of the amount of Net Debt; provided, however, that if the amount of such difference is less than 10% of the amount in the foregoing clause (i), the Working Capital Adjustment shall be equal to zero.

#### OCCIDENTAL RIGHTS

On October 17, 1986, Occidental's Board of Directors declared a dividend of one right (the "Rights") for each outstanding share of the Occidental Common Stock to stockholders of record at the close of business on November 7, 1986 (the "Rights Record Date"). The Rights also will be issued in respect of each share of Occidental Common Stock issued by Occidental between the Rights Record Date and the earliest of (i) the Distribution Date, (ii) the time at which the Rights are redeemed as provided in the Rights Agreement, and (iii) the close of business on October 16, 1996. Subject to the right of the Occidental Board of Directors to shorten or to lengthen any time period or to make other permitted changes under the Rights Agreement, the "Distribution Date" is the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date (as defined below), and (ii) the close of business on the tenth business day after the commencement of a tender or exchange offer which would result in the offeror beneficially owning 30% or more of the shares of Occidental Common Stock then outstanding. The "Stock Acquisition Date" is the first date of the public announcement that a person or group of affiliated or associated persons has acquired, or generally obtained the right to acquire, beneficial ownership of 20% or more of the shares of Occidental Common Stock then outstanding.

Each Right entitles the registered holder initially to purchase from Occidental a unit consisting of one one-hundredth of a share (a "Unit") of Junior Participating Preferred Stock at a purchase price of \$80 per Unit (the "Purchase Price"), subject to adjustment. The Junior Participating Preferred Stock will rank junior to all other series of Occidental's preferred stock with respect to declaration and payment of dividends and as to distribution of assets in liquidation, unless the terms of any such series of preferred stock shall provide otherwise. The Purchase Price may be paid, at the option of the holder, in cash or shares of Occidental Common Stock having a value equal to the Purchase Price. The terms of the Rights are set forth in the Rights Agreement.

Initially, the Rights will be deemed to be attached to all certificates evidencing shares of Occidental Common Stock then outstanding, and no separate rights certificates will be distributed. Until the Distribution Date, (i) the Rights will be evidenced by the Occidental Common Stock certificates and will be transferred with and only with such certificates, (ii) new Occidental Common Stock certificates issued after November 7, 1986 will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificate for Occidental Common Stock outstanding will also constitute the transfer of the Rights associated with the Occidental Common Stock evidenced by such certificate. The Rights are not exercisable until the Distribution Date and will expire at the close of business on October 16, 1996, unless earlier redeemed by Occidental.

#### THE EXCHANGE AGREEMENT

The following is a summary of certain provisions of the Exchange Agreement not summarized elsewhere in this Prospectus. A copy of the Exchange Agreement is attached hereto as Annex I and incorporated herein by reference. The following summary is qualified in its entirety by reference to the full text of the Exchange Agreement.

#### REPRESENTATIONS AND WARRANTIES

The Exchange Agreement contains representations and warranties of INDSPEC relating to, among other things, the following matters (subject, in certain cases, to specified exceptions): (i) the due organization, existence and good standing of INDSPEC and its subsidiaries; (ii) financial statements and reports of INDSPEC and INDSPEC Chemical Corporation; (iii) the absence of certain changes or events subsequent to June 30, 1995; (iv) INDSPEC's capitalization; (v) the authorization, execution, delivery and performance by INDSPEC of the Exchange Agreement and the enforceability of the Exchange Agreement against INDSPEC; (vi) the absence of any conflict with the certificate of incorporation, bylaws or other organizational document of INDSPEC or its subsidiaries or with applicable law or certain material contracts and the absence of any material liens, charges or encumbrances that would arise as a result of the transactions contemplated by the Exchange Agreement; (vii) the absence of any governmental or regulatory authorization, consent or approval required to consummate the Transactions; (viii) the effectiveness of governmental approvals, consents and permits necessary for INDSPEC's business; (ix) the absence of certain actions, suits and proceedings; (x) material contracts; (xi) properties and assets; (xii) patents, licenses, trademarks, service marks and trade names; (xiii) employee relations; (xiv) compliance with environmental laws; (xv) certain tax matters; (xvi) employee benefits; (xvii) the absence of brokers and finders; (xviii) insurance coverage; (xix) compliance with applicable laws; and (xx) the non-applicability of certain regulations.

The Exchange Agreement also includes representations and warranties of Occidental relating to, among other things, the following matters (subject, in certain cases, to specified exceptions): (i) the due organization, existence and good standing of Occidental; (ii) Occidental's capitalization; (iii) the authorization, execution, delivery and performance by Occidental of the Exchange Agreement and the enforceability of the Exchange Agreement against Occidental; (iv) the absence of any conflict with the certificate of incorporation or bylaws of Occidental or with applicable law or certain material contracts; (v) the absence of any governmental or regulatory authorization, consent or approval required to consummate the Transactions; (vi) the absence of certain actions, suits and proceedings; (vii) the availability to Occidental of sufficient funds to satisfy any change of control payments required under INDSPEC's Indenture; (viii) the absence of

brokers and finders; (ix) financial statements and reports of Occidental; and (x) Occidental's investment intent with respect to the INDSPEC Common Stock to be acquired by it in the Exchange Offers.

#### CONDUCT OF BUSINESS

Upon the terms and subject to the conditions of the Exchange Agreement, INDSPEC has agreed that during the period from the date of the Exchange Agreement up to and including the Closing Date, unless otherwise specified, INDSPEC will conduct its business only in the ordinary course and consistent with past practice, and will use its best efforts to preserve intact its business organization and material assets and maintain the rights, franchises and business and customer relations used in or necessary to conduct its business in the ordinary course consistent with past practice. In addition, during the period from the date of the Exchange Agreement to the Closing Date, INDSPEC has agreed that it will not and will not permit any of its subsidiaries to: (i) declare, set aside or pay any dividend or other distribution with respect to any of its outstanding capital stock or the capital stock of any of its subsidiaries other than wholly owned subsidiaries (subject to certain exceptions) or make any redemption, purchase or other acquisition of such capital stock; (ii) split, combine or reclassify any of its outstanding capital stock or issue or authorize any issuance of any other securities in substitution for shares of its outstanding capital stock other than by reason of any exercise of certain Options; (iii) issue or sell its capital stock or authorize any such action or issue or grant any options, warrants or other rights to subscribe for, purchase or otherwise acquire any of its capital stock or the capital stock of its subsidiaries; (iv) change its accounting methods, principles or practices in a way materially affecting its assets, liabilities or business, except as may be required by a change in generally accepted accounting principles; (v) increase the compensation payable or to become payable to executive officers or employees; (vi) grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, executive officer or employee; or (vii) establish, adopt, enter into or amend in any material respect, or take action to accelerate any rights or benefits under, any stock option plan or agreement, employee benefit plan, agreement or policy, except as specifically contemplated by the Exchange Agreement.

#### NO SOLICITATION OF ACQUISITION PROPOSALS

INDSPEC has agreed that it will not, and will not permit any of its subsidiaries, affiliates or any other person acting for or on behalf of any of them to solicit, or entertain offers from, negotiate with, or in any manner discuss, encourage, recommend or agree to any proposal relating to (i) the sale of the stock or assets of INDSPEC or any of its subsidiaries or any interest therein, (ii) the merger, consolidation or other combination of INDSPEC or any of its subsidiaries with any entity, or (iii) the liquidation, dissolution or reorganization of INDSPEC or any of its subsidiaries, except as specifically contemplated by the Exchange Agreement. In addition, INDSPEC has agreed that it will not, and will not permit any of its subsidiaries, affiliates or any other person acting for or on behalf of any of them to furnish or cause to be furnished any information with respect to INDSPEC or any of its subsidiaries to any person (other than Occidental and its employees and agents). Notwithstanding the foregoing, if the Board of Directors of INDSPEC is advised by counsel in writing that its fiduciary duties require it to take certain actions with respect to any proposal, INDSPEC may take such actions. INDSPEC is obligated to deliver to Occidental copies of all communications received from or made to any person who has made any such proposal within one day after the Chief Executive Officer of INDSPEC is notified thereof.

#### EXPENSES

Whether or not the Exchange Offers are consummated or the Exchange Agreement is terminated, Occidental and INDSPEC will each pay their respective costs and expenses incurred in connection with the negotiation and preparation of the Exchange Agreement and the consummation of the transactions contemplated thereby; provided, that printing and mailing fees associated with the proxy statement and registration statements prepared in connection therewith and the prospectuses included therein (including this Prospectus) and fees incurred in connection with the preparation of audited consolidated financial statements of INDSPEC and its subsidiaries for the 12-month period ended September 30, 1995 will be paid equally by



Occidental and INDSPEC. Notwithstanding the foregoing, if the Exchange Offers are consummated, the fees of Morgan Stanley and the fees and expenses of Castle Harlan will be paid by Occidental.

#### REGISTRATION

The Exchange Agreement obligates Occidental to file with the Commission, as soon as practicable after the date of the Exchange Agreement, (i) a registration statement under the Securities Act relating to the shares of Occidental Common Stock issuable upon the redemption of the Class A Common Stock, and (ii) a registration statement under the Securities Act relating to the shares of Occidental Common Stock issuable upon consummation of the Exchange Offers. INDSPEC is obligated to provide Occidental with all information concerning INDSPEC as Occidental may reasonably request in connection with the preparation of such registration statements.

#### INDEMNIFICATION AND INSURANCE

Occidental has agreed that all rights to indemnification and exculpation from liability for acts or omissions occurring prior to the Closing in existence as of the date of the Exchange Agreement in favor of current or former directors, officers or employees of INDSPEC and its subsidiaries, as provided in their respective certificates of incorporation or bylaws or in indemnification agreements to which they are a party, will survive the Closing Date and will continue in full force and effect in accordance with their respective terms for a period of not less than six years from the Closing Date. Occidental has also agreed to cause INDSPEC to maintain, for a period of not less than six years after the Closing Date, directors and officers' insurance and indemnification policies for INDSPEC.

#### AMENDMENT

The Exchange Agreement may be amended only by a written instrument executed by Occidental and INDSPEC.

#### TERMINATION

The Exchange Agreement may be terminated on or prior to the Closing Date (i) by mutual written consent of Occidental and INDSPEC or (ii) at the election of Occidental or INDSPEC if the Effective Date has not occurred by March 31, 1996 or if the Closing Date has not occurred by June 30, 1996, unless the failure to consummate the Merger or the Exchange Offers, as the case may be, is the result of a willful breach of the Exchange Agreement by the party seeking to terminate the Exchange Agreement.

#### THE VOTING AGREEMENT

The following is a summary of the material provisions of the Voting Agreement, which is attached as Annex II to this Prospectus and is incorporated herein by reference. The following summary does not purport to be complete and is qualified in its entirety by reference to the Voting Agreement.

The Voting Agreement provides, among other things, that, while the Voting Agreement is in effect, at any meeting of the INDSPEC Stockholders, and in any action by written consent of the INDSPEC Stockholders, the Stockholders that are parties to the Voting Agreement will vote all of their shares of INDSPEC Common Stock (i) in favor of any proposal for the adoption or approval of the Merger Agreement and (ii) against any proposal relating to (A) the sale of the stock or assets of INDSPEC or any interest therein, (B) the merger, consolidation or other combination of INDSPEC with any person, or (C) the liquidation, dissolution or reorganization of INDSPEC, except as specifically contemplated by the Exchange Agreement.

As of the date of this Prospectus, the parties to the Voting Agreement own 31,952 shares of INDSPEC Common Stock, representing approximately 68% of the outstanding voting shares of INDSPEC.

Pursuant to the Voting Agreement, the holders of all 29,496 outstanding shares of Class B Common Stock have agreed to tender such shares to Occidental in the Exchange Offers. In addition, Mr. Danner and Mr. Lee, the holders of 1,886 shares of Class A Common Stock, have agreed to tender all of their shares of Class A Common Stock to Occidental in the Exchange Offers, subject to the termination or waiver of the Stockholders Agreement between INDSPEC Chemical Corporation and certain other parties named therein (the "Stockholders Agreement").

CHPII and the other Stockholders party to the Voting Agreement have agreed that they will not, and will not permit any of their subsidiaries, affiliates, or any person acting for or on behalf of any of them to, solicit, entertain offers from, negotiate with, or in any manner discuss, encourage, recommend or agree to any proposal relating to (a) the sale of the stock or assets of INDSPEC or any of its subsidiaries or any interest therein, (b) the merger, consolidation or other combination of INDSPEC or any of its subsidiaries with any person, or (c) the liquidation, dissolution or reorganization of INDSPEC or any of its subsidiaries, except as specifically contemplated by the Exchange Agreement. CHPII and the other Stockholders party to the Voting Agreement have also agreed that they will not, and will not permit any of their subsidiaries, affiliates, or any person acting for or on behalf of any of them to, furnish or cause to be furnished any information with respect to INDSPEC or any of its subsidiaries to any person (other than Occidental and its employees and agents).

#### THE ENABLING AGREEMENT

The following is a summary of certain provisions of the Enabling Agreement by and between INDSPEC and Occidental, which is attached as Annex III to this Prospectus and is incorporated herein by reference. The following summary does not purport to be complete and is qualified in its entirety by reference to the Enabling Agreement.

#### PUT OFFER

Within five business days after the date on which INDSPEC's Net Debt is less than \$80 million (or such greater amount as may be determined after the Closing Date by the Board of Directors), INDSPEC is obligated to give written notice thereof to Occidental (the "Debt Notice"). As soon as practicable after the later of (i) the third anniversary of the Closing Date or (ii) the date on which Occidental receives the Debt Notice (such later date being the "Trigger Date"), Occidental is obligated to use commercially reasonable efforts to (A) prepare and file a registration statement (the "Put Offer Registration Statement") under the Securities Act relating to the Put Offer and (B) cause the Put Offer Registration Statement to become effective as soon as practicable after its filing; provided, however, that Occidental may delay such filing or effectiveness for a valid business purpose. As soon as practicable after the Put Offer Registration Statement has been declared effective, Occidental is obligated to make an offer (the "Put Offer") to the holders of shares of Class A Common Stock to exchange all or a portion of such shares for that number of shares of Occidental Common Stock equal to the number of shares of Class A Common Stock so exchanged, multiplied by the Put Offer Ratio (as defined below). In lieu of any fractional share of Occidental Common Stock that would otherwise be issuable upon exchange of shares of Class A Common Stock pursuant to the Put Offer, the holder thereof will be entitled to cash representing such fractional shares.

The "Put Offer Ratio" is equal to (i) (a) an amount equal to (x) the EBITDA Multiple multiplied by the LTM Operating EBITDA, minus (y) Net Debt plus Other Liabilities, in each case, (1) calculated as of the last day of the fiscal month immediately preceding the fiscal month in which the exchange date occurs or (2) if the Put Offer Registration Statement has not been declared effective within 120 days after the Trigger Date, and such amount would be greater, calculated as of the last day of the fiscal month in which the Trigger Date occurred, divided by (b) the aggregate number of shares of Class A Common Stock and Class B Common Stock outstanding on the exchange date, determined on a fully diluted basis, divided by (ii) the average of the closing prices of Occidental Common Stock on the New York Stock Exchange on the 20 consecutive trading days immediately preceding the fifth trading day next preceding the exchange date (subject to adjustment for certain events, including a dividend on, or subdivision, reclassification, combination or other recapitalization affecting, the Occidental Common Stock). See "Comparison of Rights of INDSPEC

Stockholders and Occidental Stockholders -- Redemption of Class A Common Stock" for definitions of certain terms used to determine the Put Offer Ratio.

If a sufficient number of shares of Class A Common Stock are tendered pursuant to the Put Offer, all of the outstanding shares of Class A Common Stock may be redeemed pursuant to the Threshold Redemption in accordance with the INDSPEC Certificate, and Occidental may terminate the Put Offer. See "Comparison of Rights of INDSPEC Stockholders and Occidental Stockholders -- Redemption of Class A Common Stock."

#### OBLIGATION TO SELL OCCIDENTAL COMMON STOCK

If INDSPEC redeems the Class A Common Stock in accordance with the INDSPEC Certificate, Occidental will sell to INDSPEC such number of shares of Occidental Common Stock as INDSPEC is obligated to deliver to holders of Class A Common Stock in satisfaction of its redemption obligations. The purchase price for each share of Occidental Common Stock so purchased will be the price of Occidental Common Stock used to determine the number of shares of Occidental Common Stock exchanged for Class A Common Stock pursuant to the redemption. See "The Restated Certificate and Restated Bylaws -- Redemption of Class A Common Stock."

#### TAG-ALONG RIGHTS

Occidental will not, and will not permit any of its affiliates subject to its control to, sell any shares of Class A Common Stock or Class B Common Stock unless adequate provision is made in connection therewith so that all holders of Class A Common Stock have the right (the "Tag-Along Right") to participate in such sale on substantially the same terms, based on the number of shares owned by each other stockholder. The Tag-Along Rights will not apply to (i) any sale of shares solely among Occidental and those of its affiliates subject to its control, (ii) any sale of shares to the public pursuant to an effective registration statement under the Securities Act or (iii) any sale of shares that has been approved by the affirmative vote of the greater of (A) five members of INDSPEC's Board of Directors or (B) a majority of INDSPEC's directors then in office.

The Tag-Along Rights will terminate upon the earlier to occur of (i) the consummation of the Put Offer or the redemption of Class A Common Stock or (ii) the date on which the market value of outstanding shares of Class A Common Stock and Class B Common Stock (or any capital stock of INDSPEC issued to holders of INDSPEC common stock) that have been effectively registered under the Securities Act and disposed of in accordance with a registration statement or statements under the Securities Act covering such shares equals or exceeds \$50 million.

#### ENVIRONMENTAL MATTERS

INDSPEC has agreed that, not later than 30 months after the Closing Date, it will complete certain tasks related to environmental matters (the "Environmental Tasks"). At any time, or from time to time, on or after the first anniversary of the Closing Date, Occidental may perform a review and audit of INDSPEC properties and facilities in order to determine (i) INDSPEC's compliance with all environmental laws and (ii) whether or not the Environmental Tasks have been completed. If additional actions are required in order for INDSPEC to comply with environmental laws or complete the Environmental Tasks, INDSPEC will promptly take all such required actions, and will reserve or increase reserves to the extent necessary to reflect on all balance sheets prepared as of any subsequent date, (i) the aggregate amount of expected expenditures (excluding salaries, wages, employee benefits, utilities, and recurring repairs and maintenance to equipment caused by ordinary wear and tear, and any other similar allocation of overhead) required in order for INDSPEC to take the actions specified less (ii) the aggregate amount of claims for indemnification, contribution or other recovery against third parties to the extent such recovery could be reflected on INDSPEC's balance sheet as an asset in accordance with GAAP. In preparing any subsequent income statement, however, INDSPEC's operating income will not be reduced by the amount of such expenditures. Disputes between Occidental and INDSPEC as to such matters will be settled by an independent environmental consultant.

## FUNDING OBLIGATIONS

INDSPEC has agreed to use commercially reasonable efforts to keep available or obtain sufficient funds to (i) make payments required by law to satisfy claims of Stockholders who have the right to appraisal of and payment for their shares of INDSPEC Common Stock pursuant to Delaware law as a result of the Merger ("Dissenters' Rights Obligations"), and (ii) satisfy obligations of INDSPEC in respect of notes tendered to INDSPEC pursuant to a change of control offer made by INDSPEC pursuant to its Indenture ("Change of Control Obligations" and, together with Dissenters' Rights Obligations, the "Funding Obligations"). If, notwithstanding compliance with the foregoing sentence, INDSPEC does not have sufficient funds to satisfy the Funding Obligations, Occidental is obligated to provide INDSPEC with funds in an amount sufficient to enable INDSPEC to satisfy all Funding Obligations for which INDSPEC has timely notified Occidental. With respect to Dissenters' Rights Obligations, (i) Occidental will lend funds to INDSPEC pursuant to a fully amortizing promissory note with an annual interest rate of 8% and the shortest practicable maturity but not greater than five years and (ii) to the extent that INDSPEC cannot borrow the full amount of any funds necessary to satisfy the Dissenters' Rights Obligations, Occidental will purchase preferred stock of INDSPEC. With respect to Change of Control Obligations, Occidental will lend funds to INDSPEC pursuant to a promissory note with substantially the same terms as the notes issued pursuant to the Indenture or, at Occidental's option and if the Indenture permits, by purchasing from INDSPEC the notes tendered to INDSPEC pursuant to the change of control offer.

## TREATMENT OF INCENTIVE STOCK OPTIONS

After consummation of the Put Offer or the redemption of Class A Common Stock, INDSPEC and Occidental will convert outstanding INDSPEC stock options into, or replace such options with, options to purchase Occidental Common Stock in accordance with Section 424(a) of the Internal Revenue Code of 1986, as amended (the "Code").

## OTHER COVENANTS

In addition to the foregoing provisions, the Enabling Agreement contains covenants relating to: (i) INDSPEC's provision of certain financial information to Occidental; (ii) INDSPEC's provision to Occidental of access to INDSPEC's books, records and properties; (iii) INDSPEC's performance of certain tasks with respect to environmental matters; (iv) a prohibition against share repurchases by INDSPEC without Occidental's prior written consent; (v) INDSPEC's hiring of three additional employees (currently expected to be mid-level managers) nominated by Occidental, subject to INDSPEC's right to accept, reject or terminate any such employees; and (vi) the sharing of technological information.

## BUSINESS OF INDSPEC

## INDSPEC

INDSPEC was formed as a holding company on October 25, 1993. INDSPEC Chemical Corporation, a Delaware corporation ("Chemical"), is the operating subsidiary of INDSPEC. Chemical was formed on October 25, 1993 under the name Specialty Acquisition Sub, Inc. and after a series of transactions (the "1993 Transactions") succeeded to, and now operates, the business previously operated by INDSPEC Chemical Corporation ("Predecessor"), and was renamed INDSPEC Chemical Corporation. Chemical is a wholly owned subsidiary of INDSPEC Technologies, Ltd., a Pennsylvania business trust (the "Business Trust"), which is in turn 100% owned by INDSPEC. Predecessor was formed in 1988 by management and an investor group to acquire in a leveraged transaction (the "Original Acquisition") the business of the Industrial Specialty Chemicals division of Koppers Company, Inc., now known as Beazer East, Inc. ("Koppers" or "BEI"). Throughout this Prospectus, the term "INDSPEC" refers to INDSPEC and its subsidiaries, unless the context otherwise requires, and is also used to include the operations of Predecessor, where appropriate, unless such inclusion would be confusing. Unless otherwise indicated, a reference herein to a particular year relates to the fiscal year of INDSPEC ended on March 31 of the referenced year.

INDSPEC is the largest producer of resorcinol in the world and the sole commercial producer of resorcinol in the United States. Resorcinol is a chemical used primarily as a bonding and stiffening agent in the manufacture of tires and tread rubber. In addition, resorcinol is used in the manufacture of high performance wood adhesives, ultraviolet light stabilizers, sunscreens, dyestuffs, pharmaceuticals, agrichemicals, carbonless paper and fire retardant plastic additives.

During the calendar year ended December 31, 1994, INDSPEC supplied approximately 90% of the resorcinol sold in the United States. Similar information with respect to calendar year ended December 31, 1995 is not yet available. In addition, INDSPEC is a leading supplier of resorcinol and resorcinol-based products in Europe and Asia. Resorcinol and resorcinol-based products accounted for approximately \$112.4 million, or 96%, of the net sales of INDSPEC for the twelve months ended March 31, 1995.

## PRODUCTS

## RESORCINOL AND RESORCINOL-BASED PRODUCTS

Resorcinol and resorcinol-based products are used primarily in the manufacture of tires, in the wood products industry and in the manufacture of specialty chemicals. Resorcinol and resorcinol-based products accounted for 92%, 95%, and 96% of INDSPEC's net operating revenues (on a combined basis) in 1993, 1994, and 1995, respectively.

Tire and Rubber. Management believes that all manufacturers of automobile tires use resorcinol in the manufacturing process, primarily as a high performance adhesive to bond reinforcing fabrics to rubber. In 1993, 1994, and 1995, approximately 57%, 56% and 54%, respectively, of INDSPEC's net sales were made directly or indirectly to tire and rubber manufacturers.

The resorcinol-based adhesive system was developed in the early 1940's when nylon began to be used as a tire cord fabric. Fabric tire cords were dipped into a resorcinol-formaldehyde latex resin to apply a coating to enhance adhesion of the fabric to the rubber. Over the years INDSPEC has developed various formulations of resorcinol-based resins that are compatible with various tire cord fabrics. Rayon, nylon, fiberglass, aramid and polyester tire cords have all been successfully bonded to rubber using resorcinol.

A resorcinol-based system also is used as a bonding agent in steel cord radial tires. Resorcinol or resorcinol resins are incorporated directly into the tire's rubber compound to enhance adhesion of the brass plated steel cord to the rubber. Production of steel cord radial tires requires more resorcinol per tire than synthetic fiber cord tires. In the United States and Europe, essentially all tires are now steel cord radials; however, in much of the rest of the world, a large percentage of tires are still produced using older technologies which require somewhat less resorcinol as a bonding agent.

The resorcinol-based system for bonding steel cords to rubber competes with a cobalt-based system. The cobalt-based technology is used predominantly by four major tire manufacturers outside the United States. Management believes that INDSPEC's resorcinol resins will enhance the performance of steel cord radial tires made with the cobalt-based system if the formulations for bonding the steel cord to rubber are adjusted to include a resorcinol resin. Adhesives formulated with resorcinol resins also are used in other fiber-reinforced rubber mechanical goods such as fabricated belting, rubberized hose and rubberized textile sheets.

Wood Products. The wood products industry uses resorcinol-based adhesives primarily for specialty applications demanding the following characteristics: structural integrity under extreme conditions, moderate temperature curing, waterproof qualities or resistance to fungus. Examples of applications are the production of laminated structural beams, wooden "I" beams, marine wood products, specialty laminations (such as for sports equipment), scarfed or finger-jointed structural lumber and laminated arches. The uses of resorcinol-based resins in the wood products industry have historically been limited to high performance wood products due to competition from lower cost adhesives, although INDSPEC's research and development laboratory has developed new formulations to permit faster gluing times and the use of less expensive types of woods for the manufacture of linear veneer lumber ("LVL") and oriented strand board. INDSPEC believes that the relatively high cost of lumber offers a significant opportunity for the use of resorcinol in these applications. A significant new use for resorcinol was developed over the past two years as INDSPEC began providing resorcinol to major manufacturers of oriented strand board to activate adhesives with resorcinol. Approximately 16% of INDSPEC's net sales were to the wood products industry for the twelve months ended March 31, 1995.

Specialty Chemicals. Resorcinol is also used as a chemical intermediate in the manufacture of specialty chemicals, such as ultraviolet light screening agents for the protection of plastics and in some suntanning lotions. In addition, resorcinol serves as a chemical intermediate in the production of dyestuffs, pharmaceuticals, reprographic chemicals, fire retardant plastics, fungicidal creams and lotions, agricultural chemicals and herbicides, explosive primers, antioxidants, chain extenders for urethane elastomers and as a treatment to improve the mechanical and chemical resistance of papier-mache fabrics. In all, the use of resorcinol as a chemical intermediate accounted for approximately 26% of INDSPEC's net sales for the twelve months ended March 31, 1995.

#### BY-PRODUCT SODIUM SULFITE AND SALTCAKE

INDSPEC produces sodium sulfite and saltcake as by-products of resorcinol. The primary application of by-product sulfite is in the pulping and bleaching of paper, primarily corrugated packaging materials. Saltcake is primarily used in the paper and glass industries. It is employed as an agent for reducing wood chips in the pulping process to produce kraft pulp and paper which is principally used for packaging materials. Saltcake is also used in the glass industry as a chemical reagent in the manufacture of glass. Because several of INDSPEC's customers for by-product sodium sulfite in the paper industry switched to processing recycled paper and because the price of caustic soda, a component of many competing products (including synthetic sodium sulfite), was low throughout calendar 1994 and year to date 1995, INDSPEC has experienced difficulty selling all of its by-product sodium sulfite and saltcake. As the price of caustic soda has risen, demand for by-product sulfite has increased, but substantial inventory remains to be sold. Approximately 2% of INDSPEC's net sales for the twelve months ended March 31, 1995 were of by-product sulfite and saltcake.

#### SYNTHETIC SODIUM SULFITE

Prior to September 30, 1991, INDSPEC produced synthetic sodium sulfite at its Tuscaloosa Plant. Synthetic sodium sulfite is of higher quality than by-product sodium sulfite and is used primarily in water treatment and as a pulping agent in paper mills employing chemi-mechanical pulping methods. INDSPEC transferred its customer list to Solvay Minerals Company in 1990 and after a period of production exclusively for Solvay, INDSPEC closed its facility in 1992.

Because of market conditions existing in January 1994 for synthetic sodium sulfite and bisulfite solutions and lower caustic soda prices, INDSPEC entered into agreements with suppliers of caustic soda, a principal

component of synthetic sodium sulfite, which provides INDSPEC with low cost caustic soda through December 1995. As a result, in October 1993 INDSPEC began the process of reopening the Tuscaloosa Plant and INDSPEC began marketing synthetic sodium sulfite produced at the Tuscaloosa Plant in March 1994. Sales from the Tuscaloosa Plant represented approximately 2% of INDSPEC's net revenue in 1995. In April 1995, INDSPEC entered into an agreement to transfer operations of the Tuscaloosa Plant to Southern Ionics, Inc.

#### SALES AND MARKETING

INDSPEC markets its products on a worldwide basis through its direct sales force and through independent sales representatives. INDSPEC markets resorcinol and resorcinol-based products to customers in approximately 50 countries throughout the world. Resorcinol and resorcinol-based products and sodium sulfite are marketed through INDSPEC's Pittsburgh, Pennsylvania office to domestic customers and to customers in Asia and through INDSPEC's office in Rotterdam, Holland to customers in Europe, Africa and the Near East. Saltcake is marketed through a wholesaler and other distributors and through INDSPEC's employees.

To reduce production and transportation costs of resorcinol products for customers in the western United States and western Europe, INDSPEC has selectively granted licenses to use its technology to produce resorcinol-based resins and adhesives on INDSPEC's behalf. Pursuant to an exclusive license ending in March 1997, subject to renewal, INDSPEC has provided such a license to a producer in Oregon. Another license was provided to a producer in Norway, which ends in July 1997. INDSPEC purchases all such production on a cost-plus basis. Products manufactured by these contract producers accounted for 3% of INDSPEC's net sales for the twelve months ended March 31, 1995.

For the year 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995, approximately 47%, 44%, 47%, and 44%, respectively, of INDSPEC's net sales were attributable to export sales. Export sales of resorcinol are generally characterized by lower margins than domestic sales due to higher transportation costs and import duties. The margins on export sales denominated in foreign currencies generally improve during periods when the U.S. dollar is weak relative to foreign currencies and may be adversely affected by a relative increase in the value of the U.S. dollar. INDSPEC maintains a policy of entering into foreign exchange contracts to hedge against currency fluctuations that could affect the value of INDSPEC's non-U.S. dollar receivables.

#### COMPETITION

According to published industry data, prior to December 1991 there were four major worldwide commercial producers of resorcinol -- INDSPEC in the United States, Hoechst AG ("Hoechst") in Germany, and Sumitomo Chemical Company, Ltd. ("Sumitomo") and Mitsui Petrochemical Industries ("Mitsui") in Japan. INDSPEC's capacity accounted for approximately 50% of the total estimated capacity of the four major producers. In December 1991, Hoechst announced that it was closing its 11,000 ton resorcinol plant in Frankfurt, Germany. The plant had been restricted to producing 8,000 tons per year of resorcinol since 1987 by regulatory authorities. In February 1992, Sumitomo announced plans to increase its capacity for resorcinol production in Japan from 9,000 tons to 18,000 tons. Sumitomo cited increasing demand for resorcinol in office automation products and the Hoechst plant shutdown as the reasons for its expansion. The new Sumitomo plant began production in January 1994.

Resorcinol can be produced using either a sulfonation fusion or hydroperoxidation process. INDSPEC uses the sulfonation fusion process, while Sumitomo and Mitsui use the hydroperoxidation process. INDSPEC believes that the cost to produce resorcinol is comparable under either process.

INDSPEC is the largest domestic producer of sodium sulfite. The total domestic capacity for production of sodium sulfite is estimated to be 149,000 tons, with INDSPEC's by-product sulfite accounting for approximately 33% of this capacity. The aggregate annual capacity of the two other major producers is estimated to be 91,000 tons. The domestic capacity of saltcake is estimated to be 160,000 tons per year, with

INDSPEC's capacity of 32,000 tons accounting for approximately 20% of the total domestic capacity in calendar 1994.

#### RAW MATERIALS AND SUPPLIES

INDSPEC's major raw materials are chemical feedstocks that have widespread applications. The major raw materials in the production of resorcinol are benzene, caustic soda and oleum. While there are alternative suppliers for these raw materials, INDSPEC currently purchases each of these raw materials from a single supplier. Management believes that benzene, caustic soda and oleum are, and will remain for the foreseeable future, in adequate supply. INDSPEC produces resorcinol-based resins and adhesives by combining phenol, formaldehyde and other chemicals with resorcinol. Although phenol is available from many suppliers, INDSPEC purchases phenol from a single supplier. Management believes that phenol and formaldehyde are, and will remain for the foreseeable future, in adequate supply. Historically, INDSPEC has increased the prices of its products to compensate for increases in raw material and other direct costs.

#### DISTRIBUTION

Resorcinol is typically supplied in flake or powder form and generally packaged in bags or drums, although an increasing amount of resorcinol is delivered in liquid form. Resorcinol products are warehoused at the Petrolia Plant and at a nearby leased warehouse. INDSPEC's resorcinol and resorcinol-based products are shipped to domestic customers primarily by truck from its Petrolia Plant, while most export shipments are sent by ship to and distributed from leased warehouses in Rotterdam, Holland. Resorcinol products are also shipped to customers in the western United States from INDSPEC's licensee in Oregon and to customers in western Europe from INDSPEC's licensee in Norway. Most sodium sulfite and saltcake is shipped directly to consumers by bulk rail, barge and truck from the Petrolia Plant. INDSPEC utilizes railcars, silos and an independent warehouse to store and ship some sodium sulfite and saltcake.

#### CUSTOMERS

In 1995, INDSPEC's products were sold to customers in over 50 countries. Only one customer accounted for 10% or more of INDSPEC's net sales during fiscal 1995. The Goodyear Tire & Rubber Company has acquired resorcinol and resorcinol-based resins from INDSPEC for over forty years, the most recent ten years of which have been pursuant to a series of contracts whereby, pursuant to a pricing formula, INDSPEC converts benzene supplied by or acquired for the account of Goodyear. All other raw materials and labor are supplied by INDSPEC. The current toll conversion agreements are renewable automatically for successive one-year periods and are in effect until at least December 31, 1996. Net sales of resorcinol and resorcinol-based resins to Goodyear represented approximately 22%, 20%, 19%, and 19% of total net sales of INDSPEC for the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995, respectively.

#### RESEARCH AND DEVELOPMENT

INDSPEC's management believes that an active research and development effort is important to the expansion of commercial applications of resorcinol. INDSPEC works actively with its customers to develop applications to solve customers' problems. INDSPEC continues to develop enhanced techniques for bonding new materials to tire bodies and linings to be incorporated into longer-wearing tires. In addition, INDSPEC is involved in a long-term effort to work with steel-belted tire manufacturers that use cobalt-based adhesive systems to encourage them to integrate resorcinol and cobalt to create an adhesive system that INDSPEC believes is superior to that afforded by cobalt alone. After undertaking extensive tire tests, some major international tire manufacturers have begun using the INDSPEC resin in combination with the cobalt-based system in the manufacture of truck tires.

INDSPEC's research also focuses on the uses of resorcinol and its derivatives in the herbicide, color reprographics and fiber industries and on developing flame-retardant, resorcinol-based resins with reduced



smoke emission characteristics as a substitute for some polyester products. Further, INDSPEC is continuing to develop wood adhesives for application in composite lumber products.

INDSPEC leases laboratory space in a facility in Harmarville, Pennsylvania for research and development. INDSPEC has 20 research and development personnel, substantially all of whom have been with INDSPEC and its predecessors for an average of 15 years. Research and development expenses, including depreciation and allocated corporate charges, incurred by INDSPEC for the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995 were \$2.2 million, \$1.5 million, \$.7 million and \$3.2 million, respectively. The increase in 1995 is due to INDSPEC's expenditures related to a pilot process that is part of INDSPEC's continuing efforts to develop its hydroperoxidation process for the production of resorcinol. See "Technology and Licensing."

#### TECHNOLOGY AND LICENSING

INDSPEC acquired from Koppers the material patents, patent applications, trademarks, copyrights, transferable licenses, inventions, trade secrets, proprietary processes and formulae previously used in the business by Koppers. Among the trademarks acquired by INDSPEC was the Penacolite trademark which has been used to market resorcinol-based resins and adhesives since 1941. INDSPEC recently patented a new process for the manufacture of resorcinol, and holds approximately 65 patents covering resorcinol resins, adhesives and other resorcinol derivatives. INDSPEC believes that its patents concerning tire resins will help INDSPEC to maintain its leading market position in the tire industry. INDSPEC believes that these resins should have commercial appeal as tire manufacturers place greater emphasis on the low-fuming characteristics possessed by these resins.

INDSPEC has developed and patented a modified hydroperoxidation process which INDSPEC would utilize if it decided to increase its capacity and build a new plant, since the construction cost of a hydroperoxidation plant is significantly less than that of a new plant using sulfonation fusion, the process currently used by INDSPEC to manufacture resorcinol. Since management expects long-term demand for resorcinol to continue to grow as new applications are developed, INDSPEC is continuing work on construction and operation of a pilot plant to commercialize INDSPEC's hydroperoxidation technology. As part of the 1993 Transactions, the Business Trust retained the patents for the hydroperoxidation process, but granted Chemical a non-exclusive license to use such process. The license provides that Chemical must expend not less than \$1.0 million during the first five years of the term of the license to develop the process to produce resorcinol using the hydroperoxidation technology. In 1995, Chemical expended \$1.4 million on the hydroperoxidation pilot plant project. In addition, Chemical must pay royalties to the Business Trust based on the lesser of certain percentages of gross revenues or net profits attributable to sales of resorcinol made by Chemical using the hydroperoxidation technology. Payment of the royalties is subject to certain limitations under INDSPEC's Senior Credit Facility and the Indenture. Additionally, the Senior Credit Facility and the Indenture contain restrictions on INDSPEC's ability to incur additional indebtedness which could limit INDSPEC's ability to construct a full-scale production facility to utilize the hydroperoxidation technology. The license agreement also grants Chemical a right of first refusal to purchase the patents if the Business Trust should ever desire to sell them.

INDSPEC has granted to licensees in Oregon and Norway the right to use its technology to produce resorcinol-based resins and adhesives on INDSPEC's behalf. See "Sales and Marketing."

#### ENVIRONMENTAL REGULATION

INDSPEC believes that its operations are in compliance in all material respects with applicable environmental laws and regulations. However, chemical manufacturing companies are subject to extensive environmental, health and safety laws and regulations, many of which provide for potential fines and criminal penalties of a significant nature. Accordingly, the normal operations of a chemical manufacturing plant and the transportation, storage and disposal of products and wastes necessarily involve a risk that a violation of

these laws and regulations could result in a material penalty or other sanctions. INDSPEC is not aware of any adverse environmental occurrences of a material nature in 1995.

No claims have been made against INDSPEC relating to Koppers operations prior to the Original Acquisition. As described below, the Asset Purchase Agreement relating to the Original Acquisition (the "Asset Purchase Agreement") provides an indemnity from Koppers with regard to such claims, in the event any may occur in the future.

According to the Asset Purchase Agreement, Koppers (now BEI) is obligated to indemnify INDSPEC against any environmental liability or obligation arising from the failure to comply with environmental laws prior to the closing of the Original Acquisition in 1988; agreements, orders and decrees in effect at such time; claims for environmental liability for acts or omissions relating to the Petrolia Plant or the Tuscaloosa Plant (collectively, the "Plants") occurring prior to closing of the Original Acquisition; and activities of Koppers and its predecessors occurring at any time at properties not acquired by INDSPEC. The environmental indemnification obligation survives until December 2000, except for claims arising from off-site activities prior to December 1988, for which the indemnification obligation survives indefinitely. Beazer PLC of Great Britain, the parent of BEI, has guaranteed performance of the environmental indemnification obligation. Beazer PLC is currently a subsidiary of Hanson Industries, Ltd. Subject to certain limitations, INDSPEC is obligated to indemnify Koppers against any environmental liability or obligation arising from acts or omissions relating to the Plants occurring after the Original Acquisition and any expense necessary to comply with any law relating to the physical structure of the facilities acquired from Koppers, including the removal of asbestos or polychlorinated biphenyls. INDSPEC also is obligated to indemnify Koppers against any on-site environmental liability or obligation for any matter for which a claim has not been made before December 2000.

Prior to the Original Acquisition, Koppers encountered environmental compliance problems and potential liabilities arising from wastewater discharges, the contamination of soils and groundwater, excessive emissions of particulates and other air pollutants, and the disposal of potentially hazardous waste materials in connection with the operation of the Plants. INDSPEC understands that BEI is responding to claims regarding disposal of material which could relate to the Petrolia Plant. INDSPEC has not been named in any such claims. On November 13, 1995, INDSPEC filed a notice of claim with Beazer seeking indemnification for the cost of remediation of the release of pollutants at the Petrolia Plant, which INDSPEC preliminarily estimated would cost up to \$2.1 million. As part of its on-going clean-up at the site, BEI has constructed and operates a groundwater collection system and treatment facility on the Petrolia Plant site to clean up groundwater contamination relating to the period prior to the Original Acquisition. In addition, Koppers implemented, and INDSPEC has continued, a program designed to ensure that its operations comply with applicable environmental regulations and permits.

INDSPEC monitors federal, state and local regulations governing air emissions, wastewater discharges, waste management and disposal and land use; the manufacturing, use and distribution of chemical products; employee health and safety; and other activities that may affect the environment, all of which may affect INDSPEC's operations. In particular, additional capital expenditures may be required as a result of (i) regulations to be issued pursuant to the Clean Air Act Amendments of 1990, (ii) regulations recently issued concerning Process Safety Management, (iii) proposed regulations concerning exposure limits for benzene and formaldehyde and (iv) regulations to be issued pursuant to the Pennsylvania Residual Waste Regulations. These regulations will also likely require some additional ongoing compliance costs, although the extent of the impact on INDSPEC cannot be estimated yet. INDSPEC has identified anticipated capital expenditures relating to these and other environmental requirements of up to \$1.2 million to be spent over the next two fiscal years, although it is not certain how much of this amount will actually be required.

#### EMPLOYEES

As of December 1, 1995, INDSPEC employed 372 persons. The employees fall into four general categories based on the nature of their employment: research and product development; operations; marketing; and administration and support. Currently, 20 employees are involved in research and product development, 323 employees (5 of whom are based in Pittsburgh) are involved in the operations of the Petrolia Plant,

19 employees are assigned to marketing functions, and 10 employees perform administrative and support services. Management considers relations with its employees to be satisfactory.

Of INDSPEC's 318 employees located at the Petrolia Plant, 227 are represented by Local 13300 of the United Steelworkers of America (the "USWA"). In April 1995, INDSPEC and the USWA reached agreement on a revision and renewal of their collective bargaining agreement extending to April 1999 with increases of approximately 4-5% for each year of the agreement. This agreement automatically renews annually, subject to termination or modification by either party upon 60 days notice given prior to April 1999 or any anniversary thereof.

#### PROPERTIES

INDSPEC's principal facilities consist of the Petrolia Plant and the Harmarville research facility. The Petrolia Plant is situated on a 262-acre tract owned by INDSPEC. The Harmarville research and development facility contains 16,500 square feet and is currently leased on a month-to-month basis, although INDSPEC is continuing negotiations for a long-term lease renewal. As of December 1, 1995, INDSPEC also owns or leases storage facilities and leases approximately 452 railcars. In addition, INDSPEC has entered into a lease of approximately 12,000 square feet of office space in Pittsburgh, Pennsylvania for its principal executive offices which expires in March 1999. INDSPEC also has a sales office in Rotterdam, Holland which it rents pursuant to a lease expiring in May 1999. Previously, INDSPEC operated the Tuscaloosa Plant which was located on a 7.5-acre site held pursuant to a prepaid lease that expires in 1999. This lease was assigned to Southern Ionics, Inc. in January 1996.

#### LEGAL PROCEEDINGS

INDSPEC is a party to certain claims and legal proceedings, none of which INDSPEC believes will have a material adverse effect on its financial condition or its results of operations.



share effect of accounting method changes.....	--	--	--	25.63	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----
Net income (loss) per common share.....	<u>\$(106.40)</u>	<u>\$(39.80)</u>	<u>\$(33.06)</u>	<u>\$ (47.10)</u>	<u>\$ (0.13)</u>	<u>\$ 79.61</u>	<u>\$ 47.86</u>	<u>\$ 92.17</u>

	MARCH 31, 1991	MARCH 31, 1992	MARCH 31, 1993	DECEMBER 2, 1993	MARCH 31, 1994	MARCH 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1995
	-----	-----	-----	-----	-----	-----	-----	-----
Accounts receivable...	\$ 11,792	\$ 12,709	\$ 14,014	\$ 14,483	\$ 15,621	\$ 16,317	\$ 16,338	\$ 15,814
Inventory.....	16,176	15,266	15,505	14,879	14,369	14,863	13,963	20,028
Net fixed assets(4)...	80,845	76,308	69,885	68,784	104,178	100,202	102,124	97,704
Total assets(4)...	183,172	172,372	161,895	171,267	238,288	228,358	230,822	224,901
Long term debt (including current portion)(4)...	160,355	152,052	143,067	134,866	189,738	174,808	181,246	162,582
Redeemable preferred stock.....	14,699	16,417	16,505	17,750	--	--	--	--

(1) In 1993, Predecessor closed the synthetic sulfite production facility in Tuscaloosa, Alabama, established a reserve for loss on disposal of \$2.3 million and accounted for the transaction as a discontinuance of a portion of a business segment. In October 1993, Predecessor restarted the facility, reversed \$1.0 million of the aforementioned reserve, and restated the financials to include all historical results of the Tuscaloosa operation in sales and revenue.

(2) In 1993, Predecessor established a reserve of \$1.3 million for the possible uncollectibility of a receivable from the Soviet Union. In September 1993, Predecessor accepted a reduced payment amount that netted the Predecessor \$.7 million in income.

(3) The decrease in depreciation and amortization in the year ended March 31, 1992 is due to the extension of useful lives on various assets.

(4) The increase in assets as of March 31, 1994 relates to the step-up in basis of assets for the purchase accounting of INDSPEC and the increase in liabilities reflects the new debt structure of INDSPEC as a result of the financing of the acquisition.

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

For purposes of this discussion, no distinction is made between the operations of Predecessor and INDSPEC, except where the distinction is required so as not to be confusing.

RESULTS OF OPERATIONS

Set forth below is a discussion of the results of operations of INDSPEC for the three- and nine-month periods ended December 31, 1995 compared to the corresponding periods of the previous year, and for the twelve-month periods ended March 31, 1995, 1994 and 1993, each compared to the respective preceding twelve-month period.

THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 31, 1995

Total revenue increased 4% and 15% for the quarter and nine-month periods ended December 31, 1995, respectively. Compared to the prior year period, revenue from the sale of resorcinol declined 1% for the quarter as a 21% increase in unit pricing offset a 19% decline in unit volume. Year-to-date revenue from the sale of resorcinol increased 15% due to an 18% increase in unit pricing and a 3% decline in unit volume. Revenue from resorcinol-based tire resins had increased 17% for the year and 14% for the quarter due principally to increased unit pricing. Revenue from resorcinol-based wood adhesives also increased 14% compared to the prior year period due to increased unit pricing. Revenue from the sale of by-product sodium sulfite increased 14% for the nine-month period due to a large export shipment while unit pricing has declined 6%.

Cost of goods sold (excluding depreciation and amortization) as a percent of sales declined from 57% to 50% compared to the same quarter of the prior year due to higher unit prices for resorcinol and the profitable liquidation of the Company's inventory of raw materials at its synthetic sulfite plant in Tuscaloosa, Alabama. For the nine months ended December 31, 1995, the average production cost of a pound of resorcinol increased 10% compared to the prior year as the Company encountered production problems due to supply interruptions of oleum, a key raw material, and the continued effect of higher caustic soda prices. Benzene prices were lower in the quarter and helped offset the increase in caustic prices. The Company completed its scheduled maintenance turnaround in October in the normal time and cost required for the Petrolia Plant to complete a turnaround.

Selling, research, general, and administrative expenses increased 15% in the quarter and 16% year-to-date due to higher profit sharing paid to all employees and research and development costs related to the Company's on-going research in the area of hydroperoxidation technology for the production of resorcinol. The Company expects that selling, research, general and administrative expenses will continue to be higher than the prior year as the Company continues to reward its employees for increased performance via quarterly profit sharing payments.

TWELVE-MONTH PERIOD ENDED MARCH 31, 1995

Revenue from the sale of resorcinol and resorcinol-based products increased 12% for the twelve-month period ended March 31, 1995 compared to the prior year. For the twelve-month period ended March 31, 1995, revenue from domestic sales of resorcinol increased 22% compared to the prior year and unit pricing declined 2%. Average pricing for the quarter ended March 31, 1995 increased 14% and 10% over the average pricing for domestic resorcinol achieved in the quarters ended December 31, 1994 and March 31, 1994, respectively. The large volume increase is principally due to increasing use of resorcinol as a fire retardant additive to plastics. Revenue from export sales of resorcinol increased 6% due to a 3% increase in unit pricing and a 3% increase in unit volume. Unit pricing on export sales for the quarter ended March 31, 1995 increased 13% and 20% compared to the quarters ended December 31, 1994 and March 31, 1994, respectively, due to a combination of the weaker U.S. dollar and increased pricing to the end user. Revenue from toll production increased 8% over the prior year due to higher volume. For fiscal 1995, revenue from the sale of tire resins increased 20% due to increases in unit volume. Revenue from the sale of adhesives to the specialized wood products industry increased 11% for the twelve-month period ended March 31, 1995 due to higher unit prices.

Cost of sales (before depreciation and amortization) as a percent of sales declined from 57% in 1994 to 55% in 1995. For fiscal 1995, cost of sales was favorably affected by lower average caustic soda prices and, to a lesser degree, lower benzene prices. However, caustic soda prices increased dramatically in the last two quarters of fiscal 1995, and INDSPEC expects its average cost of caustic soda to be higher in fiscal 1996. This has been offset by higher manufacturing costs and lower by-product credits due to the decreased value of by-product sulfite and saltcake. During the year ended March 31, 1995, modifications were made to the Petrolia Plant that increased its capacity by 8%. For fiscal 1995, the Tuscaloosa Plant operated at a net loss of \$1.4 million due principally to depreciation and amortization expense of \$1.1 million. Effective April 1, 1995, INDSPEC entered into an agreement with Southern Ionics, Inc. pursuant to which Southern Ionics has hired substantially all INDSPEC's Tuscaloosa employees and will assume responsibility for substantially all the operations of the Tuscaloosa Plant.

Revenue from the sale of by-product sodium sulfite declined 9% from the prior year. The volume of sulfite sales declined 4% in the period, and there was a 5% decline in unit prices due to higher freight costs. In March 1994, INDSPEC entered into a long-term agreement with a pulp and paper manufacturer for the sale of saltcake. As a result of this contract, INDSPEC sold all its excess saltcake inventory, although at lower unit pricing than in prior years. INDSPEC continues to experience difficulty selling all of its by-product sulfite due to the switch by several of its paper customers to processing recycled paper and competition from other producers of by-product sulfite. This has negatively affected earnings due to the higher storage and handling costs for the excess inventory.

Selling, research, general and administrative expenses increased 60% from the prior year due to higher fees paid to Castle Harlan for management services; higher employee compensation costs, principally compensation for officers; expenses related to the pilot work to develop INDSPEC's patented hydroperoxidation technology; and increased profit sharing to all employees.

During the year, INDSPEC changed the discount rate assumed in calculating its pension and postretirement costs from 7% to 8.25%. This change in assumption decreased INDSPEC's accumulated benefit obligation on its retirement plans by \$2.1 million as of March 31, 1995 and decreased its accumulated postretirement benefit obligation by \$1.4 million as of March 31, 1995.

#### TWELVE-MONTH PERIOD ENDED MARCH 31, 1994

Revenue from the sale of resorcinol and resorcinol-based products increased 7% for the twelve-month period ended March 31, 1994 compared to the prior year. For the twelve-month period ended March 31, 1994, revenue from domestic sales of resorcinol increased 35% compared to the prior year and unit pricing increased 2%. The large volume increase is principally due to increasing use of resorcinol as a fire retardant additive to plastics. Revenue from export sales of resorcinol declined 1% due to a 4% decline in unit pricing. The decline in unit pricing is attributable to the stronger U.S. dollar in the second half of calendar 1993. Revenue from toll production declined 2% over the prior year due to lower unit pricing. For the year, revenue from the sale of tire resins increased 7% due to a 4% increase in unit volume and a 3% increase in unit prices. Revenue from the sale of adhesives to the specialized wood products industry (including INDSPEC's new adhesive system that utilizes a liquid hardener) increased by 20% for the twelve-month period ended March 31, 1994 due to higher volume. The increase in volume is due to increased acceptance of INDSPEC's new line of wood adhesives.

Cost of sales (before depreciation and amortization) as a percent of sales was unchanged from the prior year. For the year, cost of sales has been favorably affected by lower caustic soda prices and, to a lesser degree, lower benzene prices. This has been offset by higher manufacturing costs as the plant ran close to capacity, increased costs due to the accrual for retiree medical costs, and lower by-product credits due to the decreased value of by-product sulfite and saltcake.

Revenue from the sale of by-product sodium sulfite was 17% lower than the prior year. The volume of sulfite sales increased 15% in the period, but this was offset by a 27% decline in unit prices due to higher freight costs. INDSPEC continues to experience difficulty selling all of its by-product sulfite and saltcake due to the switch by several of its paper customers to processing recycled paper and to low caustic soda prices, a component of many competing products. This has negatively affected earnings due to the higher storage and

handling costs for the excess inventory. In March 1994, INDSPEC entered into a long-term agreement with a pulp and paper manufacturer for the sale of saltcake (see "Results of Operations -- Twelve-Month Period Ended March 31, 1995").

After the close of the quarter ended September 30, 1993, Predecessor made the decision to restart its idled synthetic sulfite operation at the Tuscaloosa Plant. Predecessor closed this facility in 1991 due to the start-up of a competing plant by Solvay Minerals Company (formerly Tenneco Soda Ash Company) ("Solvay") in Green River, Wyoming. The principal raw materials for the Tuscaloosa Plant to produce synthetic sodium sulfite are caustic soda and sulfur. In 1991, due to Solvay's raw material position, Predecessor concluded that Solvay had a significant cost advantage over Predecessor more than offsetting the additional freight Solvay would incur to service Predecessor's market in the southeastern United States. At that time, Predecessor entered into an arrangement with Solvay to sell Solvay a copy of Predecessor's customer list in return for a royalty and to produce synthetic sodium sulfite on Solvay's behalf until Solvay's plant became operational. In January 1993, Predecessor made a final determination to terminate its efforts to find alternative uses for the facility. Consequently, Predecessor recognized a provision for loss on disposal of \$2.3 million in order to reduce Predecessor's carrying value to \$.5 million as of March 31, 1993. Subsequently, Predecessor was approached by a number of caustic soda producers with very low, multi-year pricing on caustic soda. Based on these proposals, Predecessor's management concluded that Predecessor could again profitably produce and deliver synthetic sodium sulfite to customers in the Southeast. Predecessor has negotiated agreements with suppliers that will keep this cost advantage for a minimum of two years. Predecessor commenced efforts to reopen the Tuscaloosa Plant in October 1993 and began producing and marketing synthetic sodium sulfite in March 1994. The cost to reopen the Tuscaloosa Plant was approximately \$400,000. Due to the decision to restart the Tuscaloosa Plant, in October 1993, Predecessor reversed \$1.0 million of the aforementioned \$2.3 million provision in October 1993.

In the twelve-month period ended March 31, 1994, INDSPEC booked income from royalty payments from Solvay of \$150,000 compared to \$1.3 million in the prior year.

Selling, research, general and administrative expenses increased 13% due to higher fees paid to Castle Harlan for management services and to higher employee compensation costs, principally compensation for officers.

In September 1993, Predecessor accepted from the Russian government an amount that netted Predecessor approximately \$700,000 after all expenses as final payment for an outstanding receivable in the amount of \$1.3 million. This receivable related to sales of resorcinol to the former Soviet Union in February and March of 1990. After attempting to collect the receivable for three years, Predecessor elected to reflect an expense of \$1.3 million to fully reserve against the probable loss on this receivable. Due to the collection of a portion of this receivable, Predecessor reflected an increase in other income of \$737,000.

As part of the 1993 Transactions and early retirement of debt, Predecessor incurred transaction expenses during the period April 1, 1993 to December 2, 1993. These transaction expenses totaled \$14.0 million (before tax benefit of \$5.5 million) and consisted of \$8.1 million in premiums for the early retirement of debt and preferred stock, \$3.6 million to write off unamortized financing costs and to properly reflect the face amount of junior subordinated debentures that were originally issued at a discount, \$.6 million to unwind interest rate swap agreements, and \$1.7 million of net interest cost for the defeasance of the debt and junior subordinated debentures of Predecessor. These costs are reflected as an extraordinary expense of Predecessor. Additionally, INDSPEC incurred \$11.2 million of transaction costs as follows: fees associated with the subordinated debentures of \$4.2 million, fees associated with the term debt of \$4.2 million, and other fees of \$2.8 million. These fees have been capitalized and are being amortized over the life of the related debt or goodwill.

#### TWELVE-MONTH PERIOD ENDED MARCH 31, 1993

Revenue from products produced at the Petrolia Plant for 1993 increased 12% due principally to a 10% increase in the volume of resorcinol sold. Domestic volume for resorcinol increased 14% due to higher usage of resorcinol as a fire retardant and generally improved conditions in the tire industry. Unit pricing on resorcinol declined 4% compared to the average for 1992. Export volume increased 6% due to increased volume in



Europe. Unit pricing on export sales of resorcinol increased 12% over the prior year levels. Revenue from toll production of resorcinol for Goodyear increased 9% due to a 12% volume increase. Revenue from the sale of resorcinol resins increased 17% due to a 13% increase in volume and a 4% price increase. The increase in volume was due to higher production levels at domestic tire plants. Revenue from sales of resorcinol adhesives declined 2% with an 8% increase in volume offsetting a 10% decline in unit pricing. In 1993, INDSPEC developed a new resorcinol adhesive system that utilizes a liquid hardener and has gained excellent acceptance in the adhesive industry. Net revenue from the sale of by-product sulfite declined 17% due entirely to lower average net selling prices. INDSPEC continued to sell more of its sulfite in export markets which require higher freight costs. Revenue from the sale of saltcake increased 7% due to higher volume; however, in the fourth quarter of 1993 INDSPEC began experiencing difficulty selling all its saltcake. The principal reasons for the lower demand were the low cost of alternate materials and lower demand for saltcake as more paper companies switched to recycled materials as their principal feedstock. Revenue from the sale of other resorcinol derivatives increased 15%. These products comprised approximately 2% of sales.

Revenue from synthetic sodium sulfite declined from \$5.2 million to \$1.3 million due to the termination of production for Solvay from the Tuscaloosa Plant.

Overall cost of sales as a percent of revenue before depreciation and amortization on products produced at the Petrolia Plant declined from 60% to 57% due to generally high operating rates at the Petrolia Plant. Net raw material costs increased 5% due to lower by-product credits. During the fourth quarter caustic soda prices began declining. Plant costs excluding depreciation and amortization increased 5% over 1992; however, since the plant produced 7% more resorcinol than in 1992, the per unit cost of producing resorcinol was unchanged. The termination of production of synthetic sodium sulfite at the Tuscaloosa Plant resulted in a \$3.4 million reduction in cost of goods sold.

Selling, research, general and administrative expenses increased by \$1.1 million during 1993 due to payment of profit sharing expenses in the quarters ended June 30 and September 30, 1992 in the aggregate amount of \$546,000.

#### LIQUIDITY AND CAPITAL RESOURCES

##### NINE-MONTH PERIOD ENDED DECEMBER 31, 1995

INDSPEC generated \$33.0 million of earnings before depreciation, interest, taxes and amortization for the nine months ended December 31, 1995 compared to \$26.8 million for the same period of the prior year, an increase of 23%. During the nine months ended December 31, 1995, INDSPEC repaid \$13.6 million of borrowings from its term lenders. INDSPEC also recognized interest expense of \$7.3 million related to Chemical's subordinated discount notes, none of which was payable in cash. In May 1995, INDSPEC utilized its credit facility to redeem \$8.3 million of Chemical's subordinated notes at a pre-tax gain of \$589,000. These notes were originally acquired by Lehman Brothers, Inc. as part of a swap agreement discussed more fully below. Inventory increased from \$14.9 million as of March 1995 to \$20.0 million as of December 31, 1995 as INDSPEC increased its inventory of resorcinol through September in anticipation of a maintenance turnaround in October and then experienced lower than anticipated demand following the turnaround.

During the nine months ended December 31, 1995, INDSPEC expended a total of \$4.6 million on capital expenditures to maintain the plant and make necessary environmental and production improvements. INDSPEC has established a budget of approximately \$7.0 million for capital expenditures for the fiscal year ended March 1996. INDSPEC anticipates that internally generated funds, coupled with short-term borrowings under its \$20 million credit facility will continue to be sufficient to fund domestic and international operations, capital investment, and research and development.

##### TWELVE-MONTH PERIOD ENDED MARCH 31, 1995

INDSPEC generated \$38.8 million of EBITDA in fiscal 1995 compared to \$35.6 million in the prior twelve months, an increase of 9%. INDSPEC utilized these earnings to fund \$5.6 million of capital expenditures, to pay \$8.4 million of cash interest expense, to retire \$14.3 million of term debt (including revolver), to retire \$10.2 million of Chemical's subordinated notes and the balance to fund working capital

requirements. After giving effect to accretion on the subordinated discount notes, INDSPEC retired \$14.9 million of debt in 1995. In December 1994, INDSPEC entered into an interest rate swap agreement with Lehman Brothers, Inc. that allowed INDSPEC to pay interest on a current basis on \$12.9 million face amount (\$8.3 million of accreted value) of subordinated notes at the floating rate of LIBOR plus 2 1/4 points for a six-month period. As part of that transaction, Lehman and INDSPEC agreed that INDSPEC would bear the economic risk of any gain or loss during the six-month swap period and that INDSPEC would have the right, but not the obligation, to repurchase the notes at Lehman's basis during the swap period.

Sales denominated in foreign currencies and the related accounts receivable are recognized in U.S. dollars using the exchange rates in effect at the date of the sale (measurement dates). INDSPEC had \$4,300,000 and \$5,100,000 of trade receivables denominated in foreign currencies at March 31, 1994 and March 31, 1995, respectively. In addition, at March 31, 1995, INDSPEC had forward exchange contracts, which mature throughout 1995, to purchase \$7,400,000 with Dutch guilders. Unrealized gains and losses are recognized in income for the effect of fluctuations in exchange rates from the measurement dates to the end of INDSPEC's reporting period.

The income tax rate is less than the statutory rate in both the 1995 and 1994 periods principally as a result of changes in net deferred tax assets and liabilities. The differences between pre-tax income and taxable income relate primarily to depreciation and amortization. Deferred tax assets include all net operating loss (NOL) carryforwards available to INDSPEC. Under SFAS No. 109, which INDSPEC adopted as of April 1, 1993, INDSPEC was required to record the net realizable value of these NOL carryforwards as an asset for book purposes. The reserve remained unchanged for 1995. These NOL carryforwards expire in the years 2004 through 2009.

INDSPEC anticipates that internally generated cash flow, together with the revolving loan facility, will be sufficient to fund domestic and international operations, research and development and its obligations to its creditors, including any early retirement of debt.

INDSPEC expects to spend \$7.0 million on capital expenditures in 1996 compared to expenditures of \$5.1 million, \$3.0 million, \$1.5 million, and \$5.6 million for 1993, for the period April 1, 1993 to December 2, 1993, for the period December 3, 1993 to March 31, 1994, and 1995, respectively. The planned expenditures relate principally to improvements at the Petrolia Plant and include expenditures designed to increase its annual capacity by an additional 2-3 million pounds. The Senior Credit Facility contains a covenant that restricts capital expenditures to \$8.5 million per year plus up to \$3.0 million of unutilized allowance to be carried forward to the next year.

The Senior Credit Facility and the Indenture also contain limitations on INDSPEC's ability to incur additional indebtedness, transfer assets, pay dividends, and guarantee the indebtedness of others. In addition, the Senior Credit Facility provides for mandatory prepayments of the term loans and, following repayment of the term loans, reductions to the commitments under the revolving loan facility, in amounts equal to 100% of the net proceeds from the issuance of any additional debt and sales of stock of INDSPEC, 100% of the net proceeds from any asset sales by INDSPEC, subject to certain exceptions, and 50% of annual excess cash flow of INDSPEC. Each of these provisions could limit INDSPEC's ability to expand its operations. The consent of the lenders under the Senior Credit Facility is required to permit consummation of the Transactions contemplated by the Exchange Agreement.

## MANAGEMENT OF INDSPEC

## DIRECTORS AND EXECUTIVE OFFICERS OF INDSPEC

The directors and executive officers of INDSPEC, each of whom has served INDSPEC in the capacities indicated since consummation of the 1993 Transactions on December 2, 1993, are as follows:

NAME	AGE	POSITION WITH INDSPEC CHEMICAL CORPORATION	POSITION WITH INDSPEC HOLDING CORPORATION
Frank M. Spinola	51	President, Chief Executive Officer and Director	President and Class A Director
Ernie L. Danner	41	Executive Vice President, Chief Financial Officer and Director	Vice President, Treasurer and Class A Director
Donald V. Todd	60	Vice President, Sales and Marketing	
Fred M. Covelli	53	Vice President, Research and Development	
William S. Lee	43	General Counsel, Vice President and Secretary	Secretary
Jerome W. Wagoner	53	Assistant Vice President, Petrolia Plant Operations	
Barbara B. Buchner	42	Assistant Vice President, Quality Assurance	
Jan Roozenbeek	62	Assistant Vice President-Europe	
John K. Castle	55	Director	Class B Director
T. J. Dermot Dunphy	63	Director	Class B Director
Vincent R. Scorsone	60	Director	Class A Director
Jeffrey M. Siegal	36	Director	Class B Director

FRANK M. SPINOLA served as President, Chief Executive Officer and a director of Predecessor from its formation in December 1988. Prior thereto, Mr. Spinola was employed by Koppers for 22 years, most recently as a Vice President and the General Manager of the Industrial Specialty Chemicals division ("ISC") from January to December 1988 and as the Manager of the Industrial Products division's plant in Cicero, Illinois from 1984 to 1988. From 1966 to 1984, he served in various operational and managerial positions with Koppers. Mr. Spinola also serves as a member of Chemical's executive committee, as President of the Business Trust and as President and a director of INDSPEC Technologies Corporation, the trustee of the Business Trust (the "Business Trustee").

ERNIE L. DANNER joined Predecessor upon its formation in December 1988 and served as Vice President, Chief Financial Officer and Treasurer. Prior to that time, he was the Vice President--Finance, Administration and Planning of Adams & Porter, an international agency specializing in marine and energy insurance, from 1984 to December 1988. Mr. Danner also serves as Vice President and Treasurer of the Business Trust and as Vice President and Treasurer and a director of the Business Trustee.

DONALD V. TODD was employed by Koppers for 30 years, most recently as the Manager of Sales and Marketing of ISC from 1986 to 1988 and as the Regional Sales Manager of ISC from 1983 to 1986, prior to joining Predecessor upon its formation in December 1988. From 1958 to 1983, he served in various technical, sales and marketing positions with Koppers.

FRED M. COVELLI was employed by Koppers for 23 years, most recently as the Manager of Business Development -- Resorcinol Products of ISC from 1987 to 1988 and as the Manager of the Antioxidants and Specialty Chemicals Department of ISC from 1982 to 1987, prior to joining Predecessor upon its formation in December 1988. From 1965 to 1982, he served in various research and engineering capacities with Koppers.

WILLIAM S. LEE served as General Counsel and Secretary of Predecessor beginning in June 1989. He is an attorney, licensed in Pennsylvania and Texas. He is also a CPA, licensed in Texas. From 1981 until joining

Predecessor, he was in private practice with Golden, Potts, Boeckmen, and Wilson, a Dallas, Texas law firm. Mr. Lee also serves as Secretary of the Business Trust and the Business Trustee.

JEROME W. WAGONER was employed by Koppers for 28 years, most recently as the Plant Manager of the Petrolia Plant from 1978 to 1988 when he joined Predecessor. From 1960 to 1978, he served in various operational positions with Koppers.

BARBARA B. BUCHNER was employed by Koppers for 12 years, most recently as the Director of Quality Assurance of the Chemical Systems Sector from 1984 to 1988 and as the Manager of Product Quality for ISC from 1982 to 1984, prior to joining Predecessor upon its formation in December 1988. From 1976 to 1982, she worked in the Resorcinol Products Development Group of Koppers.

JAN ROOZENBEEK was elected as Assistant Vice President -- Europe of Predecessor in January 1992. Prior to that time, he served as Predecessor's Director of Sales--Europe. Prior to the Original Acquisition, Mr. Roozenbeek was employed by Koppers for 23 years in various sales positions. Mr. Roozenbeek has managed the Rotterdam office since 1987.

JOHN K. CASTLE is Chairman of Castle Harlan, President and Chief Executive Officer of Branford Castle, Inc., an investment company, and a General Partner of Legend Capital Group, L.P. He is also Chairman of Castle Harlan GP, Inc., the general partner of the general partner of CHPII. Immediately prior to forming Branford Castle, Inc. in 1986, Mr. Castle was President and Chief Executive Officer and a director of Donaldson, Lufkin & Jenrette, which he joined in 1965. Mr. Castle is a director of UNC, Inc., Sealed Air Corporation, and the Quantum Restaurant Group, Inc. He is also a trustee of the New York Medical College (for 11 years he was Chairman of the Board), a member of the Corporation of the Massachusetts Institute of Technology and has served as a director of Equitable Life Assurance Society of the United States. Mr. Castle also serves as a member of Chemical's executive and compensation committees, a member of INDSPEC's compensation committee and as a director of the Business Trustee.

T. J. DERMOT DUNPHY has been the Chief Executive Officer, President and a director of Sealed Air Corp. (a protective packaging products and systems manufacturer) since 1971. Mr. Dunphy is also a director of Public Service Enterprise Group, Inc., United Jersey Bank and UJB Financial Corp. Mr. Dunphy serves as a member of the compensation committee of each of Chemical and INDSPEC.

VINCENT R. SCORSONE served as a Director of Predecessor since January 1989. Mr. Scorsone was employed by Aluminum Company of America, an aluminum manufacturing company, from 1960 until his retirement in January 1994, most recently serving as Executive Vice President -- Chairman's Counsel from 1991 to 1994, the Group Vice President -- Alcoa Aerospace & Industrial Products from 1986 to 1991, the Group Vice President -- Primary Products from 1985 to 1986, the Group Vice President -- Primary Metals from 1984 to 1985, and the Vice President -- Primary Metals from 1982 to 1984. Mr. Scorsone serves as a member of INDSPEC's audit committee. Mr. Scorsone is also a director of Quanex Corp.

JEFFREY M. SIEGAL has been an executive with Castle Harlan from 1989 to the present. He currently serves as Managing Director. From 1984 until 1987, he served in the Air Force Systems Command of the United States Air Force, ultimately as a Captain and Program Manager. Mr. Siegal also serves as a member of Chemical's executive and audit committees and as a director of the Business Trustee.

Each director holds office until the next annual meeting of stockholders and until a successor has been elected and has qualified. Officers are elected by the Board of Directors and serve at its discretion.

Upon consummation of the Exchange Offers, Messrs. Castle, Dunphy and Siegal will resign, and Occidental will be entitled to elect all of the Class B Directors. See "The Exchange Offers -- Management of INDSPEC After the Exchange Offers."

## EXECUTIVE COMPENSATION

All compensation of INDSPEC employees is paid by Chemical. Additionally, Chemical is the INDSPEC party to the employment agreements discussed below.

The following table sets forth the compensation received from INDSPEC by Mr. Spinola and the four highest paid officers ("Named Executives") for the fiscal year 1995, the fiscal period that began December 2, 1993 and ended March 31, 1994, and from Predecessor for fiscal year 1993 and for the fiscal period that began April 1, 1993 and ended December 2, 1993.

## SUMMARY COMPENSATION TABLE

## INDSPEC

NAME AND POSITION	YEAR(1)	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	ALL OTHER COMPENSATION(4) (\$)
		SALARY (\$)	BONUS(2) (\$)	OTHER ANNUAL COMPENSATION(3) (\$)	AWARDS	
					SECURITIES UNDERLYING OPTIONS/SARS (#)	
F.M. Spinola	1995	\$302,533	\$250,000	--	--	\$2,839
President and CEO of Chemical, President of INDSPEC	12/2/93- 3/31/94	96,012	83,333	--	1,773	4,255
E.L. Danner	1995	\$175,782	\$175,000	--	--	\$2,839
Executive V.P., CFO of Chemical, V.P. and Treasurer of INDSPEC	12/2/93- 3/31/94	58,829	50,000	--	591	2,763
D.V. Todd	1995	\$156,108	\$207,131	\$2,811	--	\$2,831
V.P., Sales and Marketing of Chemical	12/2/93- 3/31/94	43,239	55,454	2,702	502	2,194
F.M. Covelli	1995	\$126,808	\$112,800	\$2,100	--	\$2,316
V.P., Research and Development of Chemical	12/2/93- 3/31/94	38,299	42,356	--	502	2,073
W.S. Lee	1995	\$143,392	\$100,000	--	--	\$2,718
General Counsel, V.P. and Secretary of Chemical, Secretary of INDSPEC	12/2/93- 3/31/94	43,241	33,333	--	502	2,097
PREDECESSOR						
F.M. Spinola	4/1/93- 12/2/93	\$133,711	\$243,502	--	--	--
CEO	1993	190,008	14,723	--	--	\$4,042
E.L. Danner	4/1/93- 12/2/93	\$ 80,709	\$145,100	--	--	--
Executive V.P., CFO	1993	114,408	6,649	--	--	\$2,410
D.V. Todd	4/1/93- 12/2/93	\$ 69,199	--	\$1,981	--	--
V.P., Sales and Marketing	1993	98,808	\$ 5,742	3,696	--	\$2,081
F.M. Covelli	4/1/93- 12/2/93	\$ 68,477	--	--	--	--
V.P., Research and Development	1993	98,808	\$ 5,742	--	--	\$2,081
W.S. Lee	4/1/93- 12/2/93	\$ 68,477	\$ 98,400	--	--	--
General Counsel and Secretary	1993	98,808	5,742	--	--	\$2,081

(1) Since INDSPEC began operations on December 2, 1993, the compensation from INDSPEC for its initial fiscal period covers only the period from December 2, 1993 to March 31, 1994.

- (2) For the period ended March 31, 1994, bonus consists of the amounts earned in the fiscal period pursuant to the employee's employment contract discussed below. For the Predecessor fiscal period ended December 2, 1993, bonus consists of amounts paid at the direction of the board of Predecessor for efforts related to the 1993 Transactions. For Predecessor's fiscal year 1993, bonus consists of amounts earned in the fiscal period pursuant to the profit-sharing plan of Predecessor.
- (3) Other Annual Compensation consists of personal use of company cars (2/3 of the amount shown) and gross-up payments for tax liabilities incurred in connection with personal use of company cars (1/3 of the amount shown).
- (4) All Other Compensation consists of the executive's share of employer ESOP contributions for the ESOP Plan Year that ended during the fiscal year shown. INDSPEC's contributions are allocated to each participant based on his or her salary and wages relative to total salary and wages for all ESOP participants.

#### OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

There were no options granted during the fiscal year ended March 31, 1995. There is no program regarding stock appreciation rights (SAR).

#### AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

During the fiscal period ended in 1994, the Named Executives were granted options to purchase INDSPEC Common Stock at a price of \$450 per share, the fair market value at the date of grant. The options vest ratably over a three-year period from the date of the grant, subject to an extended vesting schedule as the result of a \$100,000 per year limitation, which causes Mr. Spinola's options to vest over an eight-year period.

The Named Executives also hold stock options which were granted in 1989 pursuant to the terms of the Incentive Stock Option Plan of Predecessor. Under the terms of that plan, options were granted to certain key employees to acquire Class A Voting Common Stock of Predecessor at a price of \$100 per share, the fair market value of the stock at the date of grant. The options vested ratably over a three-year period from the date of the grant. In connection with the 1993 Transactions, the Incentive Stock Options of Predecessor which remained outstanding were converted into options to purchase INDSPEC Common Stock.

The following table presents the value of unexercised options held by the Named Executives at fiscal year-end. There is no program regarding stock appreciation rights. No options were exercised by the Named Executives in the last completed fiscal year.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR-END( # )		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR-END( \$ ) (1)
	EXERCISABLE(E)	UNEXERCISABLE(U)	
F.M. Spinola.....	1,722E		\$1,386,000E
	1,551U		\$ 775,500U
E.L. Danner.....	1,197E		\$ 948,500E
	394U		\$ 197,000U
D.V. Todd(2).....	167E		\$ 83,500E
	335U		\$ 167,500U
W.S. Lee.....	1,017E		\$ 806,000E
	335U		\$ 167,500U
F.M. Covelli.....	1,167E		\$ 933,500E
	335U		\$ 167,500U

(1) Values are calculated by subtracting the exercise price from the fair market value of the stock as of the fiscal year-end. In the absence of an established market value for the stock, the value of the stock as reflected in the appraisal of fair market value of shares held by the ESOP as of December 31, 1994 is considered as the fair market value.

(2) Mr. Todd sold 1,000 Predecessor Incentive Stock Options pursuant to the 1993 Transactions in December, 1993.

## PENSION PLAN

Predecessor had a Retirement Plan for Salaried Employees (the "Retirement Plan") covering substantially all salaried employees, including the executive officers of Predecessor. The Retirement Plan was assumed by INDSPEC in connection with the 1993 Transactions. In general, a participant's benefits under the Retirement Plan will commence upon retirement following attainment of age 65 and are based on a vesting percentage multiplied by the number of years that the participant has been a salaried employee ("Credited Service") according to a formula that computes the participant's benefit based on Credited Service, Terminal Salary, and Covered Compensation at the time of retirement, as follows: For the first 35 years of Credited Service, the annual normal retirement benefit is computed by multiplying Credited Service (but not to exceed 35 years) by 1.35% of Terminal Salary not in excess of Covered Compensation, plus 1.75% of Terminal Salary exceeding Covered Compensation. Each year of Credited Service in excess of 35 years adds 1.75% of Terminal Salary to the benefit. The term "Terminal Salary" excludes amounts received under the Profit Sharing Plan of INDSPEC and one half of the bonuses and generally is defined as the average annual salary of the participant for the five highest consecutive years of the participant's last ten years of Credited Service preceding retirement or during all years of Credited Service if fewer than five years. The plan contains provisions which grant Credited Service for employment at Koppers, and offset benefits payable under the Koppers pension plan from the benefits payable under the Retirement Plan. The term "Covered Compensation" means, generally, the average of the taxable wage bases in effect during the 35-year period ending with the year in which the participant attains, or will attain, Social Security normal retirement age. In the event that a participant's employment with INDSPEC terminates prior to age 65, he or she may be entitled to have the payment of his or her benefits commence early; however, a participant's benefits that are paid prior to age 65 may be reduced to reflect such early payment. During the last fiscal year, the Retirement Plan was amended to reflect the \$150,000 limitation on compensation imposed by recently effective amendments to the Code.

In addition to the Retirement Plan, the Company also maintains a non-qualified, unfunded supplemental executive retirement plan (the "Supplemental Plan") that provides highly paid employees with the portion of their retirement benefits not permitted to be paid from the Retirement Plan due to limitations imposed by the Code. The following table illustrates the estimated annual benefits provided under the Retirement Plan and the Supplemental Plan without reduction for any offset amounts. Such benefit levels assume retirement at age 65, the years of Credited Service shown, the applicable Covered Compensation for a participant retiring at age 65 in 1995, and the continued existence of the Retirement Plan and the Supplemental Plan without substantial change.

PENSION PLAN TABLE

AVERAGE EARNINGS	YEARS OF SERVICE						
	10	15	20	25	30	35	40
\$ 50,000	\$ 7,713	\$ 11,570	\$ 15,426	\$ 19,283	\$ 23,140	\$ 26,996	\$ 31,371
100,000	16,463	24,695	32,926	41,158	49,390	57,621	66,371
150,000	25,213	37,820	50,426	63,033	75,640	88,246	101,371
200,000	33,963	50,945	67,926	84,908	101,890	118,871	136,371
250,000	42,713	64,070	85,426	106,783	128,141	149,496	171,371
300,000	51,463	77,195	102,926	128,658	154,390	180,121	206,371
350,000	60,213	90,320	120,426	150,533	180,640	210,746	241,371
400,000	68,963	103,445	137,926	172,408	206,890	241,371	276,371
450,000	77,713	116,570	155,426	194,283	233,140	271,996	311,371
500,000	86,463	129,695	172,926	216,158	259,390	302,621	346,371

The number of years of Credited Service of each of the Named Executives is as follows: Frank M. Spinola -- 28 years; Ernie L. Danner -- 6 years; Donald V. Todd -- 36 years; Fred M. Covelli -- 29 years; and William S. Lee -- 6 years. For each of these persons the current compensation credited by the Retirement Plan and Supplemental Plan is equal to the amount shown in the "Salary" column of the Summary

Compensation Table, plus one-half of the amount shown in the "Bonus" column for the period ended March 31, 1995.

#### COMPENSATION OF DIRECTORS

Directors (other than Messrs. Castle, Danner, Siegal and Spinola) receive an annual fee of \$15,000 and a fee of \$600 for each meeting of the Board of Directors or any committee thereof attended. INDSPEC reimburses directors for their travel expenses.

#### EMPLOYMENT AND OTHER AGREEMENTS

INDSPEC and Chemical are parties to employment agreements with Messrs. Spinola, Danner, Lee, and Covelli for terms that will expire at the earlier of December 31, 2000 or the Conversion Date (the "Agreement Term"). Thereafter INDSPEC will have the right to terminate such officer's employment, with or without cause, as of the last day of any month, upon 60 days prior written notice.

Mr. Spinola's New Employment Agreement provides for (i) an initial annual base salary of \$289,000 which is subject to required increases related to increases in the base salary of the next highest paid employee; (ii) an annual bonus of the greater of 50% of his salary at the time or \$250,000 if certain performance goals are met; (iii) options, which were granted in 1993, to purchase 1,773 shares of INDSPEC Common Stock at an exercise price of \$450 per share, with such options vesting ratably over an eight-year period; (iv) INDSPEC's obligation upon Mr. Spinola's death to repurchase certain INDSPEC shares and stock options owned by Mr. Spinola at the higher of \$450 per share of Class A Common Stock or, if higher, the value of such Class A Common Stock as determined for purposes of calculating the Put Offer Ratio as though the exchange date for the Put Offer were the date of Mr. Spinola's death, less, in the case of unexercised options, the amount of the aggregate exercise prices of such options; (v) Mr. Spinola's title with Chemical to include president and chief executive officer; (vi) severance payments following termination of Mr. Spinola's employment under certain circumstances, including termination following a change in control of INDSPEC; and (vii) certain enhanced retirement benefits.

Mr. Danner's New Employment Agreement provides for (i) an annual base salary of \$175,000; (ii) an annual bonus of the greater of 50% of his salary at the time or \$150,000 if certain performance goals are met; (iii) options, which were granted in 1993, to purchase 591 shares of INDSPEC Common Stock at an exercise price of \$450 per share, with such options vesting ratably over a three-year period; (iv) INDSPEC's obligation, upon Mr. Danner's death, to repurchase certain INDSPEC stock options owned by Mr. Danner at the higher of \$450 per share of Class A Common Stock into which such options are exercisable or, if higher, the value of such Class A Common Stock as determined for purposes of calculating the Put Offer Ratio as though the exchange date for the Put Offer were the date of such officer's death, less the amount of the aggregate exercise price of such options; (v) Mr. Danner's title with Chemical to include executive vice president; (vi) severance payments following termination of Mr. Danner's employment under certain circumstances, including termination following a change in control of INDSPEC; and (vii) certain enhanced retirement benefits.

Mr. Lee's New Employment Agreement provides for (i) an annual base salary of \$130,000; (ii) an annual bonus of the greater of 50% of his salary at the time or \$100,000 if certain performance goals are met; (iii) options, which were granted in 1993, to purchase 502 shares of INDSPEC Common Stock at an exercise price of \$450 per share, with such options vesting ratably over a three-year period; (iv) INDSPEC's obligation, upon Mr. Lee's death, to repurchase certain INDSPEC stock options owned by Mr. Lee at the higher of \$450 per share of Class A Common Stock into which such options are exercisable or, if higher, the value of such Class A Common Stock as determined for purposes of calculating the Put Offer Ratio as though the exchange date for the Put Offer were the date of such officer's death, less the amount of the aggregate exercise price of such options; (v) Mr. Lee's title with Chemical to include vice president; (vi) severance payments following termination of Mr. Lee's employment under certain circumstances, including termination following a change in control of INDSPEC; and (vii) certain enhanced retirement benefits.



Mr. Covelli's New Employment Agreement provides for (i) an annual base salary of \$130,000; (ii) an annual bonus based on a percentage of Mr. Covelli's base salary based on company-wide goals; (iii) options, which were granted in 1993, to purchase 502 shares of INDSPEC Common Stock at an exercise price of \$450 per share, with such options vesting ratably over a three-year period; (iv) Mr. Covelli's title with Chemical to include vice president; (v) severance payments following termination of Mr. Covelli's employment under certain circumstances, including termination following a change in control of INDSPEC; and (vi) certain enhanced retirement benefits.

INDSPEC and Chemical are also parties to an employment agreement with Mr. Todd that expires December 2, 1996. Mr. Todd's employment agreement provides for (i) an annual base salary of \$155,000; (ii) an annual bonus based on a percentage of Mr. Todd's base salary based on company-wide goals; (iii) options, which were granted in 1993, to purchase 502 shares of INDSPEC Common Stock at an exercise price of \$450 per share, with such options vesting ratably over a three-year period; (iv) severance payments following termination of Mr. Todd's employment under certain circumstances, including termination following a change in control of INDSPEC; (v) Mr. Todd's agreement to tender in the Exchange Offers all shares of Class A Common Stock that he is entitled to receive upon exercise of vested Options, (vi) if Mr. Todd so elects, payment to Mr. Todd in exchange for the cancellation of all related Options exercisable for shares of Class A Common Stock of an amount equal to \$1,768.57 multiplied by the number of such shares not acquired by Occidental in the Exchange Offers, (vii) in the event of Mr. Todd's retirement after December 31, 1996, if Mr. Todd so elects, the surrender by Mr. Todd before June 30, 1997, under certain circumstances of any remaining vested Options in consideration for the greater of \$2,218.57 per share or the aggregate dollar value per share of Occidental Common Stock that would be received in a Put Offer if the date of surrender were the Put Offer exchange date, minus the aggregate exercise price, and (viii) for the proportional payment of Mr. Todd's annual bonus if Mr. Todd should retire on a day other than the last day of INDSPEC's fiscal year.

Each New Employment Agreement provides that the executive has the right to require INDSPEC, subject to certain conditions, to include any INDSPEC shares owned by him in registration statements filed under the Securities Act with respect to INDSPEC shares.

Each New Employment Agreement also provides for the maintenance of the Incentive Stock Option Plan adopted December 2, 1993, including the acceleration, upon a change in control, of the vesting of options granted pursuant thereto and that, if within two years after a change of control of Chemical, such executive's employment is discontinued for any reason other than death, disability or cause, INDSPEC will be obligated to pay such executive severance equal to twice his annual salary plus the average of the bonus amounts paid him under the agreement and to provide certain enhanced retirement benefits, disability benefits and continuing health care coverage.

#### CERTAIN INDSPEC RELATIONSHIPS AND RELATED TRANSACTIONS

As part of the 1993 Transactions, on December 2, 1993 Chemical entered into the Management Agreement with Castle Harlan pursuant to which Castle Harlan agreed to provide Chemical with business and organizational strategy, financial and investment management, and merchant and investment banking services in order to assist Chemical's strategic planning process, facilitate relations with the financial and investment banking community and maximize stockholder value. In consideration for those services, Chemical agreed to pay to Castle Harlan on a quarterly basis an annual management fee of \$1 million; provided, that such management fee is not payable in any fiscal year unless INDSPEC's Consolidated EBITDA (as defined in the Senior Credit Facility) for such fiscal year exceeds \$22 million; and provided, that such management fee is not payable in cash (but accrues) if a cash payment is prohibited by the terms of the Senior Credit Facility. Castle Harlan has waived payment of fees under the Management Agreement that would accrue between January 1, 1996 and April 30, 1996 if the Exchange Offers are consummated on or prior to June 30, 1996.

The Management Agreement is for a term of nine years commencing on December 2, 1993, provided, that (i) it may be terminated on December 2, 1999 on 60 days' notice if a majority of the directors of Chemical who are not affiliates, officers, employees or former employees of Castle Harlan or Chemical find

that Castle Harlan has failed to provide services under the Management Agreement adequately to Chemical and (ii) it terminates on the date on which CHPII or any other investment fund controlled by John K. Castle and/or Leonard M. Harlan, or either of them, transfers for consideration to one or more unaffiliated third parties at least a majority of the shares of INDSPEC Common Stock owned by CHPII on December 2, 1993 after giving effect to stock splits or other recapitalizations. Chemical and Castle Harlan intend to enter into an agreement terminating the Management Agreement, effective as of the Closing Date, except for continuation of Chemical's obligations to indemnify Castle Harlan as provided in the Management Agreement.

At the time of the 1993 Transactions, Chemical entered into employment agreements with Messrs. Spinola, Danner, Lee, Todd and Covelli, which were replaced on January , 1996 with such officers' current employment agreements. See "Management of INDSPEC -- Employment and Other Agreements."

## PRINCIPAL INDSPEC STOCKHOLDERS

The following table sets forth certain information as of February , 1996 (assuming that the Merger had been consummated) with respect to (1) each person known to INDSPEC to be the beneficial owner of more than 5% of the outstanding shares of INDSPEC Common Stock, (2) each director of INDSPEC, (3) each Named Executive and (4) all directors and executive officers of INDSPEC (including Chemical) as a group.

DIRECTORS, NAMED OFFICERS AND 5% BENEFICIAL OWNERS	SHARES OF CLASS A COMMON STOCK(1)(2)	PERCENTAGE OF CLASS A COMMON STOCK(1)	SHARES OF CLASS B COMMON STOCK(1)(2)	PERCENTAGE OF CLASS B COMMON STOCK(1)	PERCENTAGE OF CLASS A AND CLASS B COMMON STOCK(1)
Castle Harlan Partners II, L.P. 150 East 58th Street New York, NY 10115	--	--	26,792	90.83%	57.32%
John K. Castle(3) 150 East 58th Street New York, NY 10115	--	--	26,792	90.83	57.32
Ernie L. Danner(4)	2,530	13.58%	--	--	5.26
T. J. Dermot Dunphy	--	--	556	1.89	1.19
Vincent R. Scorsone	250	1.45	--	--	*
Jeffrey M. Siegal	25	*	31	--	*
Frank M. Spinola(4) 411 Seventh Avenue Suite 300 Pittsburgh, PA 15219	2,424	12.55	1,920	6.51	8.90
Fred M. Covelli	1,635	8.74	--	--	3.39
William S. Lee(4)	1,935	10.50	--	--	4.04
Donald V. Todd(4)	335	1.91	--	--	*
Pittsburgh National Bank, as ESOP Trustee One Oliver Plaza 210 Sixth Avenue Pittsburgh, PA 15222	9,600	55.68	--	--	20.54
Directors and Executive Officers as a group (12 persons)	11,986	45.37	29,360	99.54	73.95

\* Less than one percent

(1) The numbers of shares of Class A Common Stock shown as owned include options and warrants to purchase shares of Class A Common Stock that are exercisable within 60 days of February , 1996. The numbers and percentages of shares owned by each director and executive officer and by all directors and officers as a group assume that such outstanding options and warrants had been exercised as follows: Mr. Danner -- 1,394; Mr. Spinola -- 1,944; Mr. Covelli -- 1,335; Mr. Lee -- 1,185; Mr. Todd -- 335; and all directors and officers as a group (including such individuals) -- 9,177.

(2) Pursuant to the terms of the Voting Agreement, each person or entity identified in the foregoing table as owning shares of Class B Common Stock has agreed to tender (and not withdraw) in the Exchange Offer all such shares of Class B Common Stock. Upon completion of the Exchange Offer, Occidental would own all issued and outstanding shares of Class B Common Stock. Effective until the Closing Date, Messrs. Dunphy and Siegal have granted an irrevocable proxy to Mr. Castle with respect to their shares of Class B Common Stock, and Messrs. Spinola, Danner and Lee have granted an irrevocable proxy to Mr. Castle with respect to their shares of Class A Common Stock.

(3) Mr. Castle and Leonard M. Harlan, whose address is 150 East 58th Street, New York, NY 10155, are the controlling shareholders of the general partner of the general partner of CHPII and may therefore be deemed to be the beneficial owners of the shares of Class B Common Stock beneficially owned by CHPII. Mr. Castle and Mr. Harlan disclaim beneficial ownership of shares owned by CHPII other than such shares that represent their respective pro rata partnership interests in CHPII.

(4) Pursuant to the terms of the Voting Agreement, each of Messrs. Danner and Lee have agreed to tender (and not withdraw) in the Exchange Offer all shares of Class A Common Stock owned by them. In the supplement to his employment agreement, Mr. Todd has agreed to tender in the Exchange Offers all shares of Class A Common Stock that he is entitled to receive upon exercise of vested Options. Mr. Spinola has agreed to tender all of the Class B Common Stock owned by him and not to tender in the Exchange Offer any of the shares of Class A Common Stock owned by him.



## LEGAL MATTERS

The validity of the Occidental Common Stock offered hereby will be passed upon for Occidental by Robert E. Sawyer, Esq., Associate General Counsel of Occidental. Mr. Sawyer beneficially owns, and has rights to acquire under employee stock options, an aggregate of less than 1% of the outstanding Occidental Common Stock.

## EXPERTS

The audited financial statements and financial statement schedule of Occidental Petroleum Corporation incorporated by reference in this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports. Reference is made to said reports, which include an explanatory paragraph with respect to the adoption by Occidental, effective January 1, 1992, of Statement of Financial Accounting Standards No. 106 and No. 109, as discussed in Note 4 to the consolidated financial statements of Occidental.

The consolidated financial statements of INDSPEC Holding Corporation at March 31, 1994 and 1995 and for the year ended March 31, 1993, the period from April 1, 1993 to December 2, 1993, the period from December 3, 1993 to March 31, 1994 and the year ended March 31, 1995, included in and made a part of this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
INDSPEC Holding Corporation

We have audited the accompanying balance sheets of INDSPEC Holding Corporation as of March 31, 1995 and 1994 and the related statements of operations, common stockholders' equity, and cash flows for the year ended March 31, 1993, the period from April 1, 1993 to December 2, 1993, the period from December 3, 1993 to March 31, 1994 and the year ended March 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INDSPEC Holding Corporation at March 31, 1995 and 1994, and the results of its operations and its cash flows for the year ended March 31, 1993, the period from April 1, 1993 to December 2, 1993, the period from December 3, 1993 to March 31, 1994 and the year ended March 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Notes 6 and 7 to the financial statements, the Company changed its methods of accounting for postretirement benefits other than pensions and income taxes effective April 1, 1993.

Ernst & Young LLP

Pittsburgh, Pennsylvania  
April 28, 1995

INDSPEC HOLDING CORPORATION  
CONSOLIDATED BALANCE SHEETS

MARCH 31, 1994 AND 1995 AND DECEMBER 31, 1995 (UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	MARCH 31,		DECEMBER 31,
	1994	1995	1995
			UNAUDITED
<b>Current Assets:</b>			
Cash.....	\$ 1,023	\$ 1,655	\$ 1,577
Accounts receivable, principally trade, less allowance for doubtful accounts of \$203 in 1994, and \$120 in 1995 and at December 31, 1995.....	15,621	16,317	15,814
Inventories.....	14,369	14,863	20,028
Other.....	1,256	823	908
<b>Total current assets.....</b>	<b>32,269</b>	<b>33,658</b>	<b>38,327</b>
Investment, at cost.....	250	250	250
Property, plant and equipment.....	106,770	111,662	116,057
Less: accumulated depreciation.....	(2,592)	(11,460)	(18,353)
<b>Net property, plant and equipment.....</b>	<b>104,178</b>	<b>100,202</b>	<b>97,704</b>
Patents, net of accumulated amortization of \$1,342 in 1994, \$5,873 in 1995, and \$9,137 at December 31, 1995.....	46,813	42,282	39,018
Goodwill, net of accumulated amortization of \$330 in 1994, \$1,352 in 1995, and \$2,113 at December 31, 1995.....	40,161	39,211	38,450
Debt issuance costs, net of accumulated amortization of \$339 in 1994, \$1,343 in 1995, and \$2,247 at December 31, 1995.....	7,966	6,519	5,270
Intangible assets, net of accumulated amortization of \$159 in 1994, \$574 in 1995, and \$928 at December 31, 1995.....	6,651	6,236	5,882
	<u>\$238,288</u>	<u>\$228,358</u>	<u>\$224,901</u>
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts payable, trade.....	\$ 5,566	\$ 4,506	\$ 5,508
Accrued payroll and other compensation costs.....	3,189	4,484	4,911
Accrued interest.....	3,980	3,235	909
Other accrued expenses.....	2,086	2,357	3,169
Current portion of long-term debt.....	8,750	7,700	3,254
<b>Total current liabilities.....</b>	<b>23,571</b>	<b>22,282</b>	<b>17,751</b>
Long-term debt.....	180,988	167,108	159,328
Environmental and other reserves.....	1,583	1,709	1,698
Pension and postretirement obligations.....	13,232	13,708	14,560
Deferred income taxes.....	11,500	11,710	14,593
<b>Total liabilities.....</b>	<b>230,874</b>	<b>216,517</b>	<b>207,930</b>
Warrants to purchase common stock (net of issuance costs of \$64).....	177	430	1,072
Common stock held by ESOP.....	4,548	9,347	9,347
<b>Common stockholders' equity:</b>			
Voting common stock, \$.01 par value 150,000 shares authorized and 46,728 shares outstanding at March 31, 1994 and 1995 and 46,738 outstanding at December 31, 1995.....	1	1	1
Capital in excess of par.....	2,694	--	5
Retained (deficit) earnings.....	(6)	2,063	6,546
<b>Total common stockholders' equity.....</b>	<b>2,689</b>	<b>2,064</b>	<b>6,552</b>
	<u>\$238,288</u>	<u>\$228,358</u>	<u>\$224,901</u>
	=====	=====	=====

See accompanying notes



## INDSPEC HOLDING CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1993, THE PERIOD APRIL 1, 1993 TO DECEMBER 2, 1993,  
THE PERIOD DECEMBER 3, 1993 TO MARCH 31, 1994, AND THE YEAR ENDED MARCH 31, 1995  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PREDECESSOR			1995
	1993	APR. 1, 1993 TO DEC. 2, 1993	DEC. 3, 1993 TO MAR. 31, 1994	
Net sales.....	\$99,829	\$70,778	\$33,094	\$117,352
Operating expenses:				
Cost of sales.....	56,889	40,067	19,123	64,042
Depreciation and amortization.....	14,064	8,291	4,423	15,484
Selling, research, general, and administrative expenses.....	7,802	5,202	3,591	14,135
Provision for loss (recovery) on Tuscaloosa facility.....	2,270	(1,000)	--	--
Total operating expenses.....	81,025	52,560	27,137	93,661
Operating profit.....	18,804	18,218	5,957	23,691
Other income (expense):				
Provision for (loss) recovery on Soviet receivable.....	(1,300)	737	--	--
Other, net.....	50	(366)	66	(407)
	(1,250)	371	66	(407)
Income before interest expense, provision for income taxes, extraordinary items and cumulative effect of changes in accounting methods.....	17,554	18,589	6,023	23,284
Interest expense.....	15,999	10,278	5,690	17,389
Amortization of debt issuance costs.....	896	544	339	1,018
Income before income taxes, cumulative effect of changes in accounting methods, and extraordinary items.....	659	7,767	(6)	4,877
Provision for and in lieu of income taxes.....	378	2,621	--	450
Income before extraordinary items and cumulative effect of changes in accounting methods.....	281	5,146	(6)	4,427
Extraordinary loss on reorganization.....	--	(8,470)	--	--
Extraordinary credit -- utilization of tax loss carryforwards.....	302	--	--	--
Cumulative effect of changes in accounting methods.....		2,232	--	--
Net income (loss).....	\$ 583	\$(1,092)	\$ (6)	\$ 4,427
Income (loss) per share of common stock before extraordinary items and changes in accounting methods.....	\$(36.52)	\$ 24.52	\$ (0.13)	\$ 79.61
Earnings (loss) per share effect of extraordinary items.....	3.46	(97.25)	--	--
Earnings per share effect of accounting methods changes.....	--	25.63	--	--
Net income (loss) per share of common stock...	\$(33.06)	\$(47.10)	\$ (0.13)	\$ 79.61

See accompanying notes

INDSPEC HOLDING CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 31, 1994 AND 1995

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	1994 UNAUDITED	1995 UNAUDITED	1994 UNAUDITED	1995 UNAUDITED
Net sales.....	\$31,105	\$32,393	\$82,907	\$95,012
Operating expenses:				
Cost of sales.....	17,812	16,455	46,206	50,187
Depreciation and amortization.....	3,430	3,923	10,901	11,445
Selling, research, general, and administrative expenses.....	3,466	3,973	9,775	11,358
Total operating expenses.....	24,708	24,351	66,882	72,990
Operating profit.....	6,397	8,042	16,025	22,022
Other expense.....	(18)	(287)	(142)	(501)
	-----	-----	-----	-----
Income before interest expense, amortization of debt issuance costs, provision for income taxes, and extraordinary item.....	6,379	7,755	15,883	21,521
Interest expense.....	4,333	4,137	12,852	12,663
Amortization of debt issuance costs.....	182	329	763	940
	-----	-----	-----	-----
Income before provision for income taxes and extraordinary item.....	1,864	3,289	2,268	7,918
Provision for income taxes.....	477	1,283	(217)	3,135
	-----	-----	-----	-----
Income before extraordinary item.....	1,387	2,006	2,485	4,783
Extraordinary gain on bond redemption (net of tax).....	--	--	--	342
	-----	-----	-----	-----
Net income.....	\$ 1,387	\$ 2,006	\$ 2,485	\$ 5,125
Income per share of common stock before extraordinary item.....	\$ 26.71	\$ 36.08	\$ 47.86	\$ 86.02
Earnings per share effect of extraordinary item.....	--	--	--	6.15
	-----	-----	-----	-----
Net income per share of common stock.....	\$ 26.71	\$ 36.08	\$ 47.86	\$ 92.17

See accompanying notes

## INDSPEC HOLDING CORPORATION

## CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED MARCH 31, 1993, THE PERIOD APRIL 1, 1993 TO DECEMBER 2, 1993,  
THE PERIOD DECEMBER 3, 1993 TO MARCH 31, 1994, AND THE YEAR ENDED MARCH 31, 1995

AND THE NINE MONTHS ENDED DECEMBER 31, 1995

(IN THOUSANDS)

	CLASS A VOTING COMMON STOCK	CLASS B NONVOTING COMMON STOCK	CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS (DEFICIT)	TOTAL COMMON STOCKHOLDERS' EQUITY (DEFICIT)
Balance, March 31, 1992.....	\$ 1	\$ 1	\$ 4,337	\$ (23,504)	\$ (19,165)
Net income.....	--	--	--	583	583
Preferred stock dividends and accretion.....	--	--	--	(2,541)	(2,541)
Adjustment to reflect warrant valuation.....	--	--	--	(921)	(921)
Adjustment to reflect ESOP valuation.....	--	--	400	--	400
			-----	-----	-----
Balance, March 31, 1993.....	1	1	4,737	(26,383)	(21,644)
Net income.....	--	--	--	(1,092)	(1,092)
Preferred stock dividends and accretion.....	--	--	--	(2,396)	(2,396)
Adjustment to reflect warrant valuation.....	--	--	--	(614)	(614)
Adjustment to reflect ESOP valuation.....	--	--	(448)	--	(448)
			-----	-----	-----
Balance, December 2, 1993.....	1	1	4,289	(30,485)	(26,194)
Adjustment to reflect acquisition accounting.....	--	(1)	(1,595)	30,485	28,889
Net income.....	--	--	--	(6)	(6)
			-----	-----	-----
Balance, March 31, 1994.....	1	--	2,694	(6)	2,689
Net income.....	--	--	--	4,427	4,427
Adjustment to reflect warrant valuation.....	--	--	--	(253)	(253)
Adjustment to reflect ESOP valuation.....	--	--	(2,694)	(2,105)	(4,799)
			-----	-----	-----
Balance, March 31, 1995.....	1	--	--	2,063	2,064
Issuance of common stock.....	--	--	5	--	5
Net income.....	--	--	--	5,125	5,125
Adjustment to reflect warrant valuation.....	--	--	--	(642)	(642)
			-----	-----	-----
Balance, December 31, 1995 (unaudited).....	\$ 1	\$ --	\$ 5	\$ 6,546	\$ 6,552
	==	==	=====	=====	=====

See accompanying notes

## INDSPEC HOLDING CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 1993, THE PERIOD APRIL 1, 1993 TO DECEMBER 2, 1993,  
THE PERIOD DECEMBER 3, 1993 TO MARCH 31, 1994 AND THE YEAR ENDED MARCH 31, 1995  
(IN THOUSANDS)

	PREDECESSOR			
	1993	APR. 1, 1993 TO DEC. 2, 1993	DEC. 3, 1993 TO MAR. 31, 1994	1995
Cash flows from operating activities:				
Net income (loss).....	\$ 583	\$ (1,092)	\$ (6)	\$ 4,427
Adjustments to reconcile net income (loss) to net cash provided from operating activities:				
Noncash charges related to Transactions.....	--	2,787	--	--
Noncash interest accrued on subordinated discount notes.....	--	--	3,395	9,699
Depreciation and amortization.....	14,064	8,291	4,423	15,484
Amortization of debt issuance costs and interest rate protection costs.....	896	544	339	1,415
Provisions for losses (net recovery) on accounts receivable.....	1,380	(1,325)	39	(83)
Provision for loss (recovery) on discontinuance of synthetic sodium sulfite production.....	2,270	(1,000)	--	--
Increase (decrease) in pension and postretirement obligations.....	(522)	3,676	378	381
Unrealized foreign exchange (gains) and losses.....	(14)	--	--	831
Net deferred tax benefit recognized.....	--	(8,211)	--	210
Change in assets and liabilities:				
(Increase) decrease in accounts receivable.....	(2,671)	856	(1,243)	(1,444)
(Increase) decrease in inventories.....	(239)	626	239	(494)
(Increase) decrease in other current assets.....	55	(392)	(360)	433
Increase (decrease) in accounts payable.....	394	1,681	(430)	(1,060)
Increase (decrease) in accrued expenses.....	196	(666)	5	1,661
Increase (decrease) in accrued interest.....	299	(2,873)	585	(745)
Increase (decrease) in environmental and other reserves.....	11	(39)	47	126
Total adjustments.....	16,119	3,955	7,417	26,414
Net cash provided from operating activities.....	16,702	2,863	7,411	30,841
Cash flows from investing activities:				
Additions to property, plant, and equipment.....	(5,088)	(2,975)	(1,520)	(5,580)
Net cash used in investing activities.....	(5,088)	(2,975)	(1,520)	(5,580)
Cash flows from financing activities:				
Borrowing of new term debt.....	--	--	100,000	--
Proceeds (retirement) of subordinated discount debentures.....	--	--	90,076	(10,329)
Financing costs of new debt instruments.....	--	--	(11,246)	--
Retirement of 14.25% subordinated debentures.....	--	--	(75,000)	--
Repayment of junior subordinated debentures.....	--	--	(18,700)	--
Payment of cash dividends on preferred stock.....	(2,453)	(1,151)	--	--
Financing expenses incurred (repaid).....	--	11,237	(11,237)	--
Repurchase of common stock, warrants, and stock options.....	--	(33,804)	--	--
Issue of common stock.....	--	12,450	--	--
Issue (repayment) of redemption note.....	--	21,354	(21,354)	--
Repayment of senior bank debt.....	(12,315)	(6,551)	(56,754)	(13,750)
Net borrowings (repayments) on line of credit.....	3,330	(1,650)	(3,450)	(550)
Net cash provided by (used in) financing activities.....	(11,438)	1,885	(7,665)	(24,629)
Increase (decrease) in cash.....	176	1,773	(1,774)	632
Cash at beginning of period.....	848	1,024	2,797	1,023
Cash at end of period.....	\$ 1,024	\$ 2,797	\$ 1,023	\$ 1,655
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest.....	\$ 15,982	\$ 13,237	\$ 1,747	\$ 8,460
Supplemental disclosures of noncash items:				
Accretion of preferred stock.....	\$ 88	\$ 59	--	--
Preferred stock dividends.....	--	\$ 1,186	--	--
Increase in valuation of warrants.....	\$ 921	\$ 614	--	\$ 253
Increase (decrease) in valuation of ESOP.....	\$ (400)	\$ 448	\$ --	\$ 4,799

See accompanying notes

## INDSPEC HOLDING CORPORATION

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 1994 AND 1995

(IN THOUSANDS)

	DECEMBER 31,	
	1994	1995
	UNAUDITED	UNAUDITED
Cash flows from operating activities:		
Net income.....	\$ 2,485	\$ 5,125
Adjustments to reconcile net income to cash provided from operating activities:		
Noncash interest on subordinated notes.....	6,902	7,263
Depreciation and amortization.....	10,901	11,445
Write-off of debt issuance costs.....	1,192	1,249
Increase in postretirement benefits.....	388	852
(Decrease) increase in deferred tax liabilities.....	(217)	2,883
Change in assets and liabilities.....	759	(2,501)
Net cash provided by operating activities.....	22,410	26,316
Cash flows from investing activities:		
Additions to property, plant, and equipment.....	(4,422)	(4,568)
Net cash used in investing activities.....	(4,422)	(4,568)
Cash flows from financing activities:		
Repurchase of subordinated notes.....	(10,097)	(8,265)
Proceeds from issuance of common stock.....	--	5
Repayment of senior bank debt.....	(6,563)	(15,266)
Net borrowings on line of credit.....	(1,300)	1,700
Net cash used in financing activities.....	(17,960)	(21,826)
Increase (decrease) in cash.....	28	(78)
Cash at beginning of period.....	1,023	1,655
Cash at end of period.....	\$ 1,051	\$ 1,577
	=====	=====

See accompanying notes

INDSPEC HOLDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1995

1. THE COMPANY

INDSPEC Chemical Corporation (the "Company"), a wholly owned subsidiary of INDSPEC Holding Corporation, is engaged principally in the business of developing, producing and marketing resorcinol, resorcinol-based resins and adhesives and other resorcinol derivatives. The Company, through its Petrovia, Pennsylvania plant, is the largest producer of resorcinol in the world and the sole commercial producer in the United States. Resorcinol and resorcinol-based resins are used primarily as adhesives to bond steel or fiber cords to rubber in the manufacture of tires and also in specialty chemical applications. In addition, the Company produces sulfite, both as a by-product of its resorcinol production and synthetically at its plant in Tuscaloosa, Alabama, and saltcake (sodium sulfate) as by-products of the resorcinol production which are marketed to the paper, water treatment and glass industries. Resorcinol and resorcinol-based products accounted for approximately 92%, 95%, 95%, and 96% of net sales for 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and 1995, respectively. The balance of sales were comprised of sulfite and saltcake products.

The Company was formed on October 25, 1993 under the name Specialty Acquisition Sub, Inc. and after a series of transactions succeeded to, and now operates, the business previously operated by INDSPEC Chemical Corporation ("Old INDSPEC" or "Predecessor"), and was renamed INDSPEC Chemical Corporation. The Company is a wholly owned subsidiary of INDSPEC Technologies, Ltd., a Pennsylvania Business Trust, which is in turn 100% owned by INDSPEC Holding Corporation (formerly Specialty Acquisition Holdings, Inc., and herein referred to as "Holdings"). Old INDSPEC was formed in 1988 by management and an investor group to acquire, in a leveraged transaction (the "Original Acquisition"), the business of the Industrial Specialty Chemicals division of Koppers Company, Inc., now known as Beazer East, Inc. ("Koppers" or "BEI"). Throughout these notes, the term "the Company" is also used to include the operations of Old INDSPEC, where appropriate, unless such inclusion would be confusing.

Effective as of October 26, 1993, Old INDSPEC and CH NewCo, Inc. ("CH NewCo") entered into a Stock Acquisition Agreement (the "Acquisition Agreement") pursuant to which Old INDSPEC agreed to sell shares of its common stock to CH NewCo (the "Stock Sale"). CH NewCo assigned its rights under the Acquisition Agreement, including the right to purchase the common stock of Old INDSPEC, to Castle Harlan Partners II L.P. ("CHPII" or "Buyer"), a private equity investment fund which is an affiliate of CH NewCo.

On November 2, 1993, Old INDSPEC began a tender offer for its common stock and certain other securities (the "Tender Offer"). Following consummation of the Stock Sale and the Tender Offer on December 2, 1993, INDSPEC succeeded to the business of Old INDSPEC, in substantially the form previously conducted by Old INDSPEC, as a result of two mergers (the "Mergers"), an asset transfer and assumption by INDSPEC of all of Old INDSPEC's obligations (the "Asset Transfer"). On December 2, 1993, after consummation of the Mergers and the Asset Transfer, INDSPEC issued \$157.5 million face amount of 11 1/2% Senior Subordinated Discount Notes due 2003 that produced gross proceeds of \$90.0 million to the Company, (ii) borrowed \$106.0 million under the New Senior Credit Facility (as defined), and (iii) repaid all of Old INDSPEC's debt obligations under its bank loans and subordinated debt indentures (the "Refinancings"). The Tender Offer, the Stock Sale, the Mergers, the Asset Transfer and the Refinancings are referred to collectively herein as the "Transactions." As a result of the consummation of the Transactions, CHPII owns approximately 57% of the outstanding common stock of Holdings. Substantially all of the balance of the stock is owned by management, employees, and the Company's Employee Stock Ownership Trust ("ESOP").

The acquisition was accounted for as a purchase for financial statement purposes, subject to recapitalization accounting as required by the Emerging Issues Task Force Issue 88-16 (the EITF) for the portion of the

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

purchase price that was funded by the retention of shares in Holdings by certain management investors. These management investors owned approximately 15.4% of Old INDSPEC, and approximately 29.7% of the Company on a fully diluted basis. The EITF contains a monetary test that provides that if less than 80% of the total monetary consideration is in the form of new cash infusion by the purchasers, then the assets acquired in the acquisition and the shareholders' equity contributed by continuing management will have carryover basis to the extent of the ratio of non-monetary consideration to total consideration in the transaction. Accordingly, balance sheet adjustments have been made to reflect the basis of the acquired assets and stockholders' equity at predecessor basis, rather than fair market value, to the extent of the percentage of non-monetary consideration.

The total purchase price was determined as follows (in thousands):

Assumption of liabilities.....	\$235,143
Issue of common stock.....	12,450
Continuing management shares valued at predecessor basis.....	(5,207)
	-----
Total.....	\$242,386
	=====

This purchase price was allocated as follows (in thousands):

Current assets (at cost basis of predecessor).....	\$ 33,086
Fixed assets.....	105,289
Intangible assets.....	54,965
Goodwill.....	40,491
Debt issuance costs.....	8,305
Other investments.....	250
	-----
	\$242,386
	=====

As part of the Transactions and early retirement of debt, Old INDSPEC incurred transaction expenses during the period April 1, 1993 to December 2, 1993. These transaction expenses totalled \$14.0 million (before tax benefit of \$5.5 million) and consisted of \$8.1 million in premiums for the early retirement of debt and preferred stock, \$3.6 million to write off unamortized financing costs and to properly reflect the face amount of junior subordinated debentures that were originally issued at a discount, \$.6 million to unwind interest rate swap agreements, and \$1.7 million of net interest cost for the defeasance of the debt and junior subordinated debentures of Old INDSPEC. These costs are reflected as an extraordinary expense of Old INDSPEC. Additionally, the Company incurred \$11.2 million of transaction costs as follows: fees associated with the subordinated debentures of \$4.2 million, fees associated with the term debt of \$4.2 million, and other fees of \$2.8 million. These fees have been capitalized and are being amortized over the life of the related debt or goodwill.

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are as follows:

## Inventories

Inventories are valued at the lower of cost, utilizing the first-in, first-out (FIFO) method, or market. Supplies are valued principally at average cost. At March 31, 1994 and March 31, 1995, inventories consisted of the following (in thousands):

	1994	1995
	-----	-----
Raw materials.....	\$ 806	\$ 1,052
Work-in-process.....	384	410
Finished goods.....	10,810	10,920
Supplies.....	2,369	2,481
	-----	-----
	\$14,369	\$14,863
	=====	=====

## Investment

The investment is valued at the lower-of-cost or market value. At March 31, 1994 and March 31, 1995, the investment consisted of common stock in a cooperative insurance company which provides a portion of the Company's liability coverage.

## Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost as of March 31, 1994 and 1995 after purchase accounting adjustments in 1994 (including provision for EITF 88-16) and consist of the following (in thousands):

	1994	1995
	-----	-----
Land and improvements.....	\$ 565	\$ 702
Buildings.....	3,089	3,639
Machinery and equipment.....	98,720	103,251
Furniture and fixtures and computer equipment.....	866	1,043
Construction in progress.....	3,530	3,027
	-----	-----
	106,770	111,662
Less accumulated depreciation.....	(2,592)	(11,460)
	-----	-----
	\$104,178	\$100,202
	=====	=====

Cost for property, plant, and equipment acquired in the Transactions represents a portion of the purchase price allocated to such assets based on an appraisal of their fair market values at the date of purchase. Maintenance and repairs are expensed as incurred. Expenditures which significantly increase asset values or extend useful lives are capitalized. Interest is capitalized on self-constructed assets. During the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994 and the year ended March 31, 1995, interest cost associated with assets under construction of approximately \$282,000, \$111,000, \$76,000, and \$254,000, respectively, was capitalized. Major classes of



## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

property, plant, and equipment are depreciated using the straight-line basis for financial statement purposes over their estimated useful lives as follows:

Buildings.....	40 years
Machinery and equipment.....	2-20 years
Furniture and fixtures.....	5 years

Leasehold interests are depreciated over the life of the related lease.

## Intangible Assets and Goodwill Arising from Acquisition of the Business

A portion of the purchase price was allocated to intangible assets, primarily patents, licenses, contracts, and trade names based on an appraisal of their fair values. Intangible assets are amortized using the straight-line method over their estimated useful lives as follows (in thousands):

	1994	1995	
	-----	-----	
Patents.....	\$48,155	\$48,155	11 years
Licenses and contracts.....	630	630	3-9 years
Trade names.....	760	760	20 years
Other intangibles.....	5,420	5,420	6-40 years
	-----	-----	
	54,965	54,965	
Less accumulated amortization...	(1,501)	(6,447)	
	-----	-----	
	\$53,464	\$48,518	
	=====	=====	

The excess of the purchase price paid over net assets acquired is recorded as goodwill and amortized over 40 years using the straight-line method. The carrying value of goodwill will be reviewed if the facts and circumstances suggest that it may be impaired.

## Depreciation and Amortization

Depreciation and amortization, as presented in the financial statements, is allocable to cost of sales, selling, research, shipping and delivery, and general and administrative expense as follows in thousands:

	PREDECESSOR			
	1993	APRIL 1, 1993 TO DECEMBER 2, 1993	DECEMBER 3, 1993 TO MARCH 31, 1994	1995
	-----	-----	-----	-----
Cost of sales.....	\$13,242	\$7,774	\$4,024	\$14,226
Selling, research, general and administrative.....	822	517	399	1,258
	-----	-----	-----	-----
	\$14,064	\$8,291	\$4,423	\$15,484
	=====	=====	=====	=====

## Debt Issuance Costs

Debt issuance costs are amortized over the term of the applicable debt agreement using the interest method. Amortization of debt issuance costs (exclusive of the write-off of unamortized debt issue costs as a result of the Transactions in the amount of \$2.9 million) for the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995, were \$896,000, \$544,000, \$339,000, and \$1,018,000, respectively.

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

## Income Taxes

The Company provides for income taxes based on temporary differences in the basis of assets and liabilities between amounts used for financial statement and income tax purposes.

## Foreign Exchange Transactions

Sales denominated in foreign currencies and the related accounts receivable are recognized in U.S. dollars using the exchange rates in effect at the date of the sale (measurement dates). The Company had \$4,300,000 and \$5,100,000 of trade receivables denominated in foreign currencies at March 31, 1994 and March 31, 1995, respectively. In addition, at March 31, 1995, the Company had forward exchange contracts, which mature throughout 1995, to purchase \$7,400,000 with Dutch Guilders. Unrealized gains and losses are recognized in income for the effect of fluctuations in exchange rates from the measurement dates to the end of the Company's reporting period.

## Reclassification

Certain reclassifications have been made to prior financial statements to conform to the March 31, 1995 presentations. The reclassifications had no effect on income.

## 3. SOVIET ACCOUNT RECEIVABLE

In March 1993 Old INDSPEC established a reserve in the amount of \$1.3 million for the possible uncollectibility of a receivable that originated in 1990 from the sale of resorcinol to the Soviet Union. In September, 1993 Old INDSPEC agreed to accept \$900,000 as payment in full for this receivable. After payment of expenses related to the collection, Old INDSPEC recognized income of \$737,000 on the collection of the receivable.

## 4. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Long-term debt outstanding is summarized as follows (in thousands):

	MARCH 31, 1994	MARCH 31, 1995
	-----	-----
Term Loan Facility.....	\$ 97,812	\$ 84,062
Senior subordinated discount notes due December 2, 2003.....	90,076	89,446
Revolving Loan Facilities.....	1,850	1,300
	-----	-----
	189,738	174,808
Less current portion of long-term debt.....	(8,750)	(7,700)
	-----	-----
	\$180,988	\$167,108
	=====	=====

As part of the Transactions the Company entered into the New Senior Credit Facility with Bankers Trust Company, as Agent. The New Senior Credit Facility consists of (i) a term loan facility in an aggregate principal amount of \$70.0 million (the "A Term Loan Facility"), (ii) a second term loan facility in an aggregate principal amount of \$30.0 million (the "B Term Loan Facility") (the A Term Loan Facility and the B Term Loan Facility are collectively referred to as the "Term Loan Facilities") and (iii) a revolving loan facility in an aggregate principal amount of \$15.0 million (the "Revolving Loan Facility" and, together with the Term Loan Facilities, the "Credit Facilities").

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

The borrowings under the New Senior Credit Facility bear interest at INDSPEC's option (i) at the Base Rate in effect from time to time plus (a) with respect to loans under the Revolving Loan Facility and the A Term Loan Facility, 1 3/8% and (b) with respect to the B Term Loan Facility, 1 5/8% or (ii) subject to certain limitations at the Eurodollar rate (adjusted for maximum reserves) as determined by the Agent for the respective interest period plus (a) with respect to loans under the Revolving Loan Facility and the A Term Loan Facility, 2 3/8% and (b) with respect to the B Term Loan Facility, 2 5/8%. "Base Rate" shall mean the higher of (x) 0.5% in excess of the Federal Reserve reported certificate of deposit rate and (y) the rate the Agent announces from time to time as its prime lending rate, as in effect from time to time. The New Senior Credit Facility also provides for the payment of a commitment commission of 0.5% per annum on the daily average unused amount of the commitments under the Revolving Loan Facility. For the period December 3, 1993 to March 31, 1994 and for the year ended March 31, 1995, the effective interest rate on the Credit Facilities, including amortization of debt issuance costs, was 7.5% and 8.8%, respectively.

In addition to the borrowings summarized above, there are letters of credit outstanding as of March 31, 1995 totaling \$500,000.

Also as part of the Transactions, the Company issued \$157.5 million aggregate amount of 11 1/2% Senior Subordinated Discount Notes due 2003 (the "Notes") to complete the funding necessary for the acquisition. The Notes were issued at a substantial discount from their principal amount and provided gross proceeds of \$90.0 million. Interest on the Notes will be payable semi-annually, in cash, on June 1 and December 1, commencing June 1, 1999 at the rate of 11 1/2% per annum. The Notes are callable beginning December 2, 1998, at a premium.

During the fiscal year ended March 31, 1995 the Company redeemed \$17.6 million face amount of Notes in return for a cash payment of \$10.2 million. After giving effect to unamortized debt costs attributable to the redeemed Notes, the Company had no gain or loss on the redemption. In December, 1994, the Company entered into an interest rate swap arrangement with Lehman Brothers, Inc. ("Lehman") whereby the Company agreed to pay Lehman a floating rate of LIBOR plus 2.25% for a six-month period on \$7.4 million expended by Lehman to purchase \$12.9 million of Notes. In return for the Company's cash payment of interest, Lehman will pay the Company any gain on the Notes (if the Company does not elect to purchase the notes) at the end of the six-month period or the Company will reimburse Lehman for any loss. The Company received the right, but not the obligation, to purchase the Notes held by Lehman for \$7.4 million at any time during the six-month period which expires on May 31, 1995. As of March 31, 1995 the Company had not exercised its purchase option.

On November 30, 1993 Old INDSPEC exercised its option to exchange its Convertible Preferred Stock for 14% Junior Subordinated Exchange Debentures (the "Junior Debentures") with a face amount of \$18,708,000. The preferred stock was originally issued as part of a unit that consisted of preferred stock and warrants to purchase common stock of Old INDSPEC and was carried on the Company's books at \$17,960,000 which reflected the original allocation of value between the preferred stock and the warrants, adjusted for accretion of the preferred stock since its issuance in 1989, and for issuance of additional preferred stock as dividends. As part of the Transactions, the Company retired all the Junior Debentures by exercising its rights to defease the obligations by escrowing sufficient funds to fully retire the obligations at their first call date of April 20, 1994. As of April 20, 1994, the trustee of the escrow for the Junior Debentures distributed all the funds and fully extinguished the obligations. Since the bonds were defeased as of December 2, 1993, they were accounted for as fully retired as of that date. See the discussion of preferred stock below.

The debt agreements contain various restrictions pertaining to: incidence of additional indebtedness, mergers, consolidations or acquisitions and disposition of assets; investments; transactions with affiliates; retirement of subordinated debt; and redemption of stock. Essentially all of the Company's assets are pledged

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

as collateral under the Credit Facilities. In addition, the debt agreements require that the Company meet certain financial tests and generally limit the payment of dividends, except in certain circumstances relating to dividends on permitted preferred stock.

On June 30, 1995, the Company will make a \$5.4 million prepayment of the Term Loan Facility as required by the excess cash flow recapture provisions of the Credit Facilities. The aggregate long-term maturities, adjusted for prepayments, for the years ending March 31, are as follows: 1996- \$7,700,000; 1997- \$12,250,000; 1998- \$19,250,000; 1999- \$20,471,000; 2000- \$12,750,000; and years thereafter- \$102,387,000.

## 5. PREFERRED STOCK AND WARRANTS

On April 27, 1989, Old INDSPEC sold 75 units, each consisting of 100 newly issued shares of Nonvoting 14% Exchangeable Preferred Stock, Series A, with detachable put warrants for \$15,000,000 (less issuance costs of \$480,000). As discussed in Note 4 the Preferred Stock was converted into Junior Debentures on November 30, 1993 and then were retired as part of the Transactions. The put warrants were retained as obligations of Holdings.

Each detachable put warrant entitles the holder (i) to purchase a share of common stock of Holdings for \$100 or to require Holdings to repurchase the warrant for its fair market value. The put warrants were valued at \$885,000 (less issuance costs of \$64,000) when issued based on an appraisal performed by an independent party. The put warrants are not exercisable for five years from the date of the original issue. Any liability from the increase in the value of warrants was recognized on a straight-line basis in each quarterly period thereafter. To reflect this liability, the Predecessor increased the valuation of the warrants to \$1,742,000 as of March 31, 1993 and to \$2,356,000 as of the date of the Transactions. The remaining put warrants are valued at \$430,200 as of March 31, 1995.

Old INDSPEC paid cash dividends on its preferred stock in the amount of \$2,453,000 and \$1,151,000, respectively, for the fiscal year ended March 31, 1993, and for the period April 1, 1993 to December 2, 1993, and paid dividends on the preferred stock in the form of additional shares of preferred stock in the amount of 0 shares and 593 shares, respectively, for the fiscal year ended March 31, 1993, and for the period April 1, 1993 to December 2, 1993. Since the preferred stock was converted into the Junior Debentures on November 30, 1993, no dividends were paid or accrued by the Company after November 30, 1993.

## 6. EMPLOYEE BENEFITS

## Pension Plans

Under the terms of the Original Acquisition, Old INDSPEC adopted a salaried employee retirement plan covering all salaried employees effective December 16, 1988 and assumed the assets and obligations of the hourly retirement plans at each of the two plants it acquired from Koppers. Old INDSPEC thus had three pension plans. Then on December 31, 1992, Old INDSPEC merged the retirement plan for Tuscaloosa hourly employees into the retirement plan for salaried employees, with benefits for the Tuscaloosa employees in effect frozen due to the shutdown of the Tuscaloosa plant in 1992. Plan assets primarily include marketable debt instruments and equity securities. The Company's funding policy is to make annual contributions as required by applicable regulations. The plans generally provide benefits using a formula based upon employee compensation and years of service. These plans were adopted by the Company as part of the Transactions.

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

Net periodic pension cost for the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995, included the following components (in thousands):

	PREDECESSOR			1995
	1993	APRIL 1, 1993 TO DECEMBER 2, 1993	DECEMBER 3, 1993 TO MARCH 31, 1994	
Service cost-benefits earned during the period.....	\$ 676	\$ 467	\$ 288	\$ 985
Interest cost on projected benefit obligation.....	995	739	415	1,283
Actual return on assets.....	(1,186)	(954)	(310)	199
Net amortization and deferral...	356	333	--	(1,283)
Net periodic cost.....	\$ 841	\$ 585	\$ 393	\$ 1,184

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet at March 31, 1994 and 1995 (in thousands):

	1994	1995
Actuarial present value of benefit obligation:		
Vested benefits.....	\$12,606	\$12,194
Nonvested benefits.....	772	777
Accumulated benefit obligation.....	13,378	12,971
Effect of future wage increase.....	4,674	4,022
Projected benefit obligation.....	18,052	16,993
Fair value of plan assets.....	11,955	12,175
Projected benefit obligation in excess of plan assets....	6,097	4,818
Unrecognized prior service cost.....	--	--
Unrecognized net gain.....	--	1,425
Accrued pension cost.....	\$ 6,097	\$ 6,243

The current portion of accrued pension cost (\$1,137,000 at March 31, 1994 and \$1,042,000 at March 31, 1995) is included in accrued payroll and other compensation cost on the balance sheets. The long-term portion is included in pension and postretirement obligations.

At March 31, 1994 and 1995, the discount rates used in determining the actuarial present value of benefit obligations were 7.0% and 8.25%, respectively. The increase in the discount rate reduced the actuarial present value of benefit obligations by \$2.1 million. The rate of compensation increase assumed in the determination of the projected benefit obligations ranged from 4.3% to 11.4%. The long-term rate of return on assets was 9% in 1993, 1994, and 1995.

## Postretirement Benefits

In addition to the Company's defined benefit pension plan, the Company has assumed the obligation of Old INDSPEC with respect to two defined benefit postretirement plans. One plan covers all U.S. salaried employees and the other plan covers the Petrolia hourly employees. Both plans provide medigap coverage and life insurance protection. With respect to the salaried program, postretirement medical costs are contributory,

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

with retiree contributions adjusted annually in accordance with the health care trend assumption. The hourly plan requires no contribution for basic coverage.

Effective April 1, 1993, Old INDSPEC adopted FASB Statement No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions. The cumulative effect of adopting the new rules increased the postretirement benefit cost of Old INDSPEC for the period April 1, 1993 to December 2, 1993 by \$3.7 million and decreased net income by \$2.2 million. Postretirement benefit cost for the year ended March 31, 1993, which was recorded on the cash basis, was \$113,000 and has not been restated.

The following table presents the plans' combined funded status reconciled with the amount recognized in the Predecessor's and the Company's statement of operations:

Accumulated postretirement benefit obligation (APBO) at March 31, 1994 and 1995:

	1994	1995
	-----	-----
Retirees.....	\$2,508,000	\$2,496,000
Fully eligible active plan participants.....	1,068,000	1,319,000
Other active plan participants.....	3,526,000	2,409,000
Unrecognized net gain.....	--	1,357,000
	-----	-----
Accrued postretirement benefit cost.....	\$7,102,000	\$7,581,000
	=====	=====

Net periodic postretirement benefit cost included the following components:

	PREDECESSOR		
	-----	-----	-----
	PERIOD 4/1/93 THROUGH 12/2/93	PERIOD 12/3/93 THROUGH 3/31/94	YEAR ENDED MARCH 31, 1995
	-----	-----	-----
Net Periodic Cost			
Service cost.....	\$ 85,000	\$ 63,000	\$177,000
Interest cost.....	279,000	163,000	490,000
	-----	-----	-----
Net periodic postretirement benefit cost.....	\$ 364,000	\$ 226,000	\$667,000
Total 1993/94 Expense			
Net periodic postretirement benefit cost.....	\$ 364,000	\$ 226,000	\$667,000
Transition obligation at 4/1/93.....	3,406,000	--	--
One-time purchase accounting charge.....	--	1,460,000	--
	-----	-----	-----
Total expense.....	\$3,770,000	\$1,686,000	\$667,000
	=====	=====	=====

Old INDSPEC reflected the cost of \$3.7 million (reduced by tax benefit of \$1.5 million) as a one-time charge related to the adoption of FAS 106. In calculating this expense in April 1993, Old INDSPEC assumed a discount rate of 8.5%. Upon the acquisition, the Company utilized a 7% discount rate and therefore, increased the liability assumed for postretirement benefits to reflect the lower rate assumption by \$1.5 million. The discount rate for 1995 was increased to 8.25%, reducing the accrued postretirement benefit obligation by \$1.4 million.

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 11% for 1995 (unchanged from 1994) and is assumed to decrease gradually to 6% by 2003 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

March 31, 1994 by \$922,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended March 31, 1995 by \$107,000.

#### Supplemental Benefit Plan

At the inception of the Company, it assumed employment agreements with certain employees which provide for pension benefits otherwise accrued under the Salaried Employees' Retirement Plan but for the limitations imposed under the Internal Revenue Code. The present value of the projected benefit obligation of this unfunded nonqualified plan as of December 2, 1993 was \$830,000 and this amount was an assumed liability of the Company as part of the Transactions. During the period December 2, 1993 through March 31, 1994, and the year ended March 31, 1995, the Company recognized \$25,000 and \$95,000, respectively, of expense related to this plan.

#### Employee Stock Ownership Plan

In December 1988, Old INDSPEC established an Employee Stock Ownership Plan ("ESOP") which enables eligible employees (all employees after one year of service, as defined in the ESOP) to acquire shares of the Company's common stock. This plan was adopted by Holdings. The cost of the ESOP is borne by the Company through annual contributions to an Employee Stock Ownership Trust (ESOT) in amounts determined by the Board of Directors. Shares of stock acquired by the plan are to be allocated to each employee and held until the employee's retirement, permanent disability or death. The trustee is entitled to vote all Company stock held by the ESOT at such time and in any such manner as directed by the Employee Benefit Committee, except that with respect to required approval of certain major corporate transactions, each participant is entitled to vote the shares allocated to his or her account.

On December 16, 1988, Old INDSPEC sold 10,000 shares (fully allocated at March 31, 1994 and 1995) of its Class A common stock to the ESOT at \$100 per share. The ESOP financed the purchase of stock through a three-year loan with a bank which was guaranteed by Old INDSPEC and has been fully repaid. The Company made contributions of \$227,000 and \$150,000, \$0, and \$289,000 during the year ended March 31, 1993, the period April 1, 1993 to December 2, 1993, and for the period December 3, 1993 to March 31, 1994, and during the year ended March 31, 1995, respectively, to the plan to enable the ESOP to repurchase stock from retiring employees. The Company's contributions were recognized as employee benefits expense. Following the distribution of shares to a former employee, the employee has a "put" option with respect to these distributed shares. To the extent the ESOP does not utilize its own funds to repurchase these shares, the Company is required to repurchase the shares at appraised value. The common stock held by the ESOP is appraised annually as of December by an independent appraiser and this appraisal amount is used by the Company to determine the potential repurchase obligation. Effective April 1, 1994, the Company adopted the provisions of Statement of Position (SOP) 93-6. Previously, the Company accounted for its ESOP under SOP 76-3. The prospective adoption had no effect on the financial statements.

#### Incentive Compensation Plans

The INDSPEC Chemical Corporation Incentive Stock Option Plan ("ISOP") was established by Old INDSPEC in February 1989. The ISOP was established to encourage ownership of stock by key employees to provide increased incentive for such employees to render services and to exert maximum effort for the business success of the Company.

The ISOP provides for the discretionary granting of Incentive Stock Options ("ISOs") to purchase shares of common stock, at not less than the fair market value thereof on the date of grant, to select employees of the Company, including officers. The Compensation Committee may provide that ISOs will vest

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

immediately or in increments over a period of time. During the year ended March 31, 1990, 8,000 ISOs to purchase shares of common stock for \$100 per share were granted (the maximum approved under the plan). The ISOs vest on a pro rata basis over a three-year period. There were no ISOs granted during the years ended March 31, 1992 and 1993.

During the period December 3, 1993 to March 31, 1994, Holdings granted stock options to purchase 5,863 common shares of Holdings at \$450 per share, the estimated fair market value at the date of grant, with 4,285 of the ISOs vesting ratably over a three-year period beginning December 2, 1993. The balance of the shares vest ratably over a six-year period beginning December 2, 1993. There were no options granted during the year ended March 31, 1995.

## Profit-Sharing Plan

Old INDSPEC's nonqualified Profit-Sharing Plan covered substantially all employees, including executive officers. The plan provided for a quarterly benefit payment based upon a percentage (determined by the Compensation Committee) of the Company's quarterly and annual earnings before depreciation, amortization, interest and taxes ("EBDIT") when such earnings exceed certain minimum levels. An employee's share was based on his or her position in the Company and salary.

For the year ended March 31, 1993 and for the period April 1, 1993 to December 2, 1993, and for the period December 3, 1993 to March 31, 1994, the Company accrued expenses of \$546,000, \$0, and \$431,000, respectively, related to this plan.

The Company amended the profit-sharing plan in 1995 to provide that on a quarterly basis the Company will pay a bonus to each employee if the Company's EBDIT, as defined by the plan, exceeds certain minimum levels. For the year ended March 31, 1995 each employee received a bonus equaling 12.5% of base pay before overtime and was eligible for an additional 2% bonus based on attaining certain attendance and safety goals. The total expense related to the plan for 1995 was \$2.4 million.

## Savings Plans

The Company sponsors two savings plans (the "Plans") that cover substantially all employees, including executive officers. Each participant has the option to defer taxation of a portion of his or her earnings by directing the Company to contribute a percentage of such earnings to the Plans. The Company also may make discretionary contributions to the Plans. The Company's contributions would be allocated to each participant based on his or her pro rata contributions to the Plans. The Company has made no contributions to the Plans.

## 7. INCOME TAXES

Effective April 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by FASB Statement No. 109, "Accounting for Income Taxes." As permitted under the new rules, prior years' financial statements were not restated. The cumulative effect of adopting Statement 109 as of April 1, 1993 was to increase net income by \$4.4 million. The corresponding asset that was booked relates to federal net operating loss carryforwards.



## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

	1994	1995
	-----	-----
Deferred tax liabilities:		
Tax over book depreciation.....	\$37,660	\$33,345
Tax over book amortization.....	2,470	3,567
Other.....	610	528
	-----	-----
Total deferred tax liabilities.....	\$40,740	\$37,440
Deferred tax assets:		
Net operating loss carryforwards.....	20,116	12,072
Alternative Minimum Tax Credit.....	--	240
Pension obligation.....	3,078	3,166
Uniform Capitalization.....	452	1,282
OPEB Liability.....	2,866	2,978
Interest on high yield obligations.....	1,330	4,762
Other.....	1,398	1,230
	-----	-----
Net deferred tax assets.....	\$29,240	\$25,730
Net deferred tax liabilities.....	\$11,500	\$11,710
	=====	=====

At March 31, 1995, the Company has net operating loss carryforwards of \$54 million for federal income tax purposes that expire in years 2004 through 2009.

Significant components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	PREDECESSOR				
	DEFERRED METHOD	LIABILITY METHOD			
		MARCH 31, 1993	APRIL 1, 1993 TO DECEMBER 2, 1993	DECEMBER 3, 1993 TO MARCH 31, 1994	MARCH 31, 1995
		-----	-----	-----	-----
Current:					
Federal.....	\$ --	\$ --	\$--	\$ 240	
State.....	--	--	--	--	
	-----	-----	-----	-----	
Total Current.....	--	--	--	240	
Deferred:					
Federal.....	321	3,117	--	(165)	
State.....	57	(496)	--	375	
	-----	-----	-----	-----	
Total Deferred.....	378	2,621	--	210	
Extraordinary items.....	--	(11,428)	--	--	
	-----	-----	-----	-----	
Total.....	\$ 378	\$ (8,807)	\$--	\$ 450	
	====	=====	===	=====	

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

The provision for income taxes on income before extraordinary items and cumulative effect of accounting changes is reconciled with the federal statutory rate as follows (in thousands):

	PREDECESSOR			
	DEFERRED METHOD	LIABILITY METHOD		
		MARCH 31, 1993	APRIL 1, 1993 TO DECEMBER 2, 1993	DECEMBER 3, 1993 TO MARCH 31, 1994
Federal (34%).....	\$ 224	\$ 2,641	\$ 3	\$ 1,656
State, net of federal tax benefit.....	57	(326)	--	273
Goodwill amortization and other nondeductible items.....	97	306	--	365
Adjustment to deferred income taxes under FAS #109.....	--	--	--	(1,844)
Other.....	--	--	(3)	--
	\$ 378	\$ 2,621	\$--	\$ 450
	====	=====	===	=====

In March 1994, deferred income taxes were recorded based upon temporary differences known to exist as of that date. Many of the temporary differences related to asset basis differences arising out of the purchase accounting related to the acquisition of Old INDSPEC. During the current fiscal year, the determination of cumulative temporary differences was revised, resulting in a reduction in deferred income tax liabilities of \$1,844,000. This adjustment was recorded as a decrease to current year deferred tax expense under FAS No. 109.

## 8. FINANCIAL INFORMATION RELATING TO EXPORT SALES AND MAJOR CUSTOMERS

The Company sells its products in both foreign and domestic markets. During the year ended March 31, 1993, and for the period April 1, 1993 to December 2, 1993, and for the period December 3, 1993 to March 31, 1994, and for the year ended March 31, 1995, export sales represented approximately 47%, 44%, 47%, and 44%, respectively, of net sales.

Export sales are concentrated in Europe, Asia, South America, and North America. These continents account for 57%, 19%, 8%, and 11%, respectively, of total export sales for the year ended March 31, 1993; 56%, 17%, 9%, and 10%, respectively, for the period April 1, 1993 to December 2, 1993; 50%, 15%, 8%, and 12%, respectively, for the period December 3, 1993 to March 31, 1994; and 54%, 22%, 9%, and 11%, respectively, for the year ended March 31, 1995.

Sales to one customer, a manufacturer, represented 22%, 20%, 19%, and 19% of net sales for the year ended March 31, 1993, and for the period April 1, 1993 to December 2, 1993, and for the period December 3, 1993 to March 31, 1994, and for the year ended March 31, 1995, respectively. The Company performs periodic credit evaluations of its customers financial condition and generally does not require collateral except for certain export sales where customers are required to provide letters of credit to secure payment.

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

## 9. COMMITMENTS

The Company leases land, buildings and equipment under various noncancelable operating leases with original terms ranging from one to five years. Minimum rental commitments payable in future years under noncancelable operating leases are as follows:

TWELVE MONTHS ENDING MARCH 31, -----	IN THOUSANDS -----
1996.....	\$1,231
1997.....	655
1998.....	436
1999.....	276
2000.....	4
	-----
Total.....	\$2,602
	=====

Substantially all of the Company's leases contain renewal options.

Effective December 23, 1991, Old INDSPEC received permission from the State of Pennsylvania to become self-insured for workers' compensation insurance. To protect the Company and its employees, the Company purchased an excess liability policy that limits the Company's compensation losses from any occurrence to \$500,000. Additionally, the Company maintains a separate bank account into which it deposits at least 25% of the amount it would have paid had it remained insured in the commercial market. As of March 31, 1995, this account had a balance of \$85,000.

## 10. ENVIRONMENTAL MATTERS

Under the terms of the Original Acquisition, Beazer and Old INDSPEC had indemnified each other with respect to certain environmental claims and cleanup costs which may be incurred in the future and the Company succeeded to the benefits and obligations of those indemnities. There have been no material claims brought by Beazer against the Company or brought by the Company against Beazer pursuant to these indemnification provisions, except that Beazer has responded with regard to two matters that were known to exist at the time of the sale: (1) pursuant to a license signed at the time of the sale, Beazer constructed and is operating a ground water collection system and treatment facility at the Petrolia plant site, and (2) pursuant to a preparedness and contingency plan adopted by Koppers prior to the sale, Beazer agreed to pay Old INDSPEC a total of \$850,000, with regard to reimbursement of the Company's expenses in completing certain physical improvements that were described in the plan.

In general, Beazer is obligated to indemnify INDSPEC against certain environmental claims and cleanup costs related to operations prior to the sale, whether presently known, or discovered within twelve years of the sale. Beazer PLC, the parent of Beazer, has guaranteed Beazer's performance of its indemnification obligation. Beazer PLC was subsequently acquired by Hanson Industries, Ltd. in 1991. To date, no claims have been made against the Company concerning operations prior to the sale. The Company understands that Beazer is answering claims involving the disposal of material from the Petrolia plant prior to the acquisition; however, the Company has not been included in any such claims.

## 11. TUSCALOOSA PLANT OPERATIONS

After the close of the quarter ended September 30, 1993, Old INDSPEC made the decision to restart its idled synthetic sulfite operation at the Tuscaloosa Plant. Old INDSPEC closed this facility in 1991 due to the start-up of a competing plant by Solvay Minerals Company (formerly Tenneco Soda Ash Company ("Solvay")) in Green River, Wyoming. The principal raw materials for Old INDSPEC to produce synthetic

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

sodium sulfite are caustic soda and sulfur. In 1991, due to Solvay's raw material position, Old INDSPEC concluded that Solvay had a significant cost advantage over Old INDSPEC more than offsetting the additional freight Solvay would incur to service Old INDSPEC's market in the southeastern United States. At that time Old INDSPEC entered into an arrangement with Solvay to sell Solvay a copy of Old INDSPEC's customer list in return for a royalty and to produce synthetic sodium sulfite on Solvay's behalf until Solvay's plant became operational. In January 1993, Old INDSPEC made a final determination to terminate its efforts to find alternative uses for the facility. Consequently, Old INDSPEC recognized a provision for loss on disposal of \$2.3 million in order to reduce carrying value to \$.5 million as of March 31, 1993. Subsequently, Old INDSPEC was approached by a number of caustic soda producers with very low, multi-year pricing on caustic soda. Based on these proposals, management of Old INDSPEC concluded that it could again profitably produce and deliver synthetic sodium sulfite to customers in the Southeast. Old INDSPEC negotiated agreements with suppliers that will keep this cost advantage for a minimum of two years. Old INDSPEC commenced efforts to reopen the Tuscaloosa Plant in October 1993 and the Company began producing and selling sulfite in March 1994. Due to the decision to restart the facility, Old INDSPEC reversed \$1.0 million of the aforementioned \$2.3 million provision in October 1993 and reclassified the prior years' segregation of Tuscaloosa activities into operating profit.

## 12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Short-term and long-term debt: The carrying amounts of the term loan and the revolving credit facility approximate their fair value. The fair value of the Company's senior subordinated discount notes is estimated using market value indications from independent investment banks.

Foreign currency exchange contracts: The fair values of the Company's foreign currency exchange contracts are estimated based on quoted market prices of comparable contracts, adjusted through interpolation where necessary for maturity differences.

The carrying amounts of the Company's financial instruments at March 31, 1995 approximate fair value, with the exception of the Notes and interest rate swap agreement. The Notes have a book value of \$89,446,000 plus accrued interest of \$3.2 million and have an indicated market value of \$82,539,000. As of March 31, 1995 the interest rate swap agreement had no book value but had an intrinsic value of \$300,000 if the swap agreement had been canceled according to its terms on March 31, 1995.

## INDSPEC HOLDING CORPORATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 1995

## 13. EARNINGS PER SHARE

Earnings per share of common stock for the year 1993, the period April 1, 1993 to December 2, 1993, the period December 3, 1993 to March 31, 1994, and the year ended March 31, 1995 is calculated as follows (in thousands, except share data):

	PREDECESSOR			1995
	1993	APRIL 1 TO DECEMBER 2, 1993	DECEMBER 3, 1993 TO MARCH 31, 1994	
Income before extraordinary items and cumulative effect of changes in accounting methods.....	\$ 281	\$ 5,146	\$ (6)	\$ 4,427
Less: Preferred stock dividends paid or accrued.....	2,453	2,340	--	--
Adjustment to reflect warrant valuation.....	921	614	--	--
Accretion of preferred stock discount and issuance costs.....	88	56	--	--
Income applicable to common stock before extraordinary items and cumulative effect of changes in accounting methods.....	(3,181)	2,136	(6)	4,427
Extraordinary items.....	302	(8,470)	--	--
Cumulative effect of changes in accounting methods.....	--	2,232	--	--
Net income (loss) applicable to common stock....	\$(2,879)	\$(4,102)	\$ (6)	\$ 4,427
Average number of outstanding shares of common stock.....	87,092	87,092	46,728	46,728
Outstanding stock options.....	--	--	--	11,833
Outstanding stock warrants.....	--	--	--	506
Treasury purchases.....	--	--	--	(3,459)
Fully diluted shares outstanding.....	87,092	87,092	46,728	55,608
Income (loss) per share of common stock before extraordinary items and cumulative effect of accounting changes.....	\$(36.52)	\$ 24.52	\$ (.13)	\$ 79.61
Earnings (loss) per share effect of extraordinary items.....	3.46	(97.25)	--	--
Earnings per share effect of accounting method changes.....	--	25.63	--	--
Income (loss) per share of common stock.....	\$(33.06)	\$(47.10)	\$ (.13)	\$ 79.61

For the year ended March 31, 1993, the period April 1 to December 2, 1993, and the period December 3, 1993 to March 31, 1994 the outstanding warrants and stock options are not considered in calculating the earnings per share results, as their inclusion would be antidilutive.

## 14. INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The statements of operations and statements of cash flows for the three- and six-month periods ended September 30, 1994 and 1995, and the balance sheet and statement of common stockholders' equity as of September 30, 1995 reflect adjustments which are considered necessary by management of the Company for a fair financial statement presentation of the results for these periods. All such adjustments were of a normal recurring nature.

In May 1995, the Company exercised its right to acquire the Subordinated Discount Notes with a face value of \$12.9 million held by Lehman (see note 4) and recognized an after tax extraordinary gain of \$342,000.

AGREEMENT AND PLAN OF SHARE EXCHANGE

DATED AS OF NOVEMBER 10, 1995

BY AND BETWEEN

OCCIDENTAL PETROLEUM CORPORATION

AND

INDSPEC HOLDING CORPORATION

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## AGREEMENT AND PLAN OF SHARE EXCHANGE

AGREEMENT AND PLAN OF SHARE EXCHANGE (the "Agreement"), dated as of November 10, 1995, by and between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (the "Buyer"), and INDSPEC Holding Corporation, a Delaware corporation (together with its successors, the "Company").

WHEREAS, pursuant to the Voting Agreement (the "Voting Agreement"), dated as of the date hereof, among Castle Harlan Partners II, L.P., a Delaware limited partnership ("CHPII"), the other individuals party thereto (together with CHPII, the "Roundtable Group"), Roundtable Corp., a Delaware corporation ("Roundtable"), the other stockholders of the Company named therein and the Company, each member of the Roundtable Group has agreed to contribute the shares of common stock, par value \$.01 per share of the Company ("Company Common Stock") set forth on Annex A opposite such member's name to Roundtable, in exchange for an identical number of shares of Roundtable common stock, par value \$.01 per share ("Roundtable Common Stock");

WHEREAS, the Company and Roundtable have executed and delivered a merger agreement (the "Merger Agreement") pursuant to which, and subject to the terms and conditions thereof, Roundtable will be merged (the "Merger") with and into the Company, with the Company as the surviving corporation (the "Surviving Corporation");

WHEREAS, pursuant to the Merger, the Surviving Corporation's certificate of incorporation will be amended to provide, among other things, for the issuance of Class A Common Stock, par value \$.01 per share (the "Class A Common Stock"), and Class B Common Stock, par value \$.01 per share (the "Class B Common Stock", and, together with the Class A Common Stock, the "New Company Common Stock");

WHEREAS, pursuant to the Merger, each share of Company Common Stock held by stockholders of the Company other than Roundtable will be converted into one share of Class A Common Stock, each share of Roundtable Common Stock will be converted into one share of Class B Common Stock, and all outstanding shares of Company Common Stock held by Roundtable will be cancelled;

WHEREAS, subject to the terms and conditions of this Agreement, the boards of directors of the Buyer and the Company have approved the exchange (the "Exchange") of the shares of the New Company Common Stock to be outstanding upon consummation of the Merger for shares of common stock, par value \$.20 per share, of the Buyer ("Buyer Common Stock") pursuant to exchange offers (the "Exchange Offers") in the amounts and on the terms set forth in this Agreement;

WHEREAS, the Voting Agreement provides, among other things, that (i) members of the Roundtable Group will vote their shares of Roundtable Common Stock in favor of the Merger, (ii) Roundtable will vote its shares of Company Common Stock in favor of the Merger, (iii) the other stockholders named therein will vote their shares of Company Common Stock in favor of the Merger, (iv) the members of the Roundtable Group will tender their shares of Class B Common Stock in the Exchange Offers, and (v) the other stockholders of the Company named therein will tender their shares of Class A Common Stock in the Exchange Offers; and

WHEREAS, in furtherance of the consummation of the Exchange and the transactions contemplated herein, the parties hereto desire to enter into this Agreement;

NOW, THEREFORE, in consideration of and premised upon the various representations, warranties, covenants and other agreements and undertakings of Buyer and the Company contained in this Agreement,

and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Buyer and the Company agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1. Definitions. (a) For all purposes in this Agreement, the following terms shall have the respective meanings set forth in this Section 1.1 (such definitions to be equally applicable to both the singular and plural forms of the terms herein defined):

"Audit" shall mean any audit, assessment of Taxes, other examination by any Tax Authority, proceeding or appeal of such proceeding relating to Taxes.

"Buyer Common Stock Value" means the average of the last reported sales price (regular way) of Buyer Common Stock on the New York Stock Exchange on each of the twenty (20) consecutive trading days ending on the fifth trading day prior to the Closing Date.

"Change of Control" shall have the meaning set forth in the Indenture.

"Closing" means the consummation of the Exchange.

"Closing Date" means the date on which the Closing occurs.

"Conversion Date" has the meaning given to such term in the Certificate of Incorporation of the Surviving Corporation attached as Exhibit A to the Merger Agreement as described in Section 6.8 of this Agreement.

"Credit Agreement" means the credit agreement among Specialty Acquisition Holding, Inc., INDSPEC Technologies, Ltd., Specialty Acquisition Sub., Inc., the Banks party thereto from time to time and Bankers Trust Company, as agent, dated as of December 2, 1993.

"Employee" means each employee employed by the Company or its Subsidiaries on the Conversion Date who is (i) performing duties and responsibilities for the Company or its Subsidiaries; (ii) on temporary leave of absence from the Company or its Subsidiaries; or (iii) on short term disability or sick leave from the Company or its Subsidiaries.

"Environmental Claim" means any notice (written or oral) by any person or entity (including, without limitation, citizen complaints) alleging, asserting or stating potential liability or responsibility (including, without limitation, relating to cleanup costs or other costs of corrective action, investigative costs, governmental response costs, natural resources damages, nuisance, penalties or contractual rights or obligations) arising out of, based on or resulting from (i) the presence or release into the environment of any Hazardous Material at any location, owned or operated by the Company or the Subsidiaries or at any facility which received Hazardous Material generated by the Company or the Subsidiary or (ii) any violation or alleged violation of any applicable Environmental Law.

"Environmental Contracts" means any contracts, agreements or correspondence with private parties allocating or discussing the allocation of liability for environmental conditions at properties presently or formerly owned or operated by the Company or any of its subsidiaries or predecessors in interest or at any affiliate facility that may have received Hazardous Material generated by the Company, any of its subsidiaries or predecessors in interest.

"Environmental Indemnification Rights and Obligations" means all of the rights, obligations and claims of INDSPEC Chemical Corporation or Beazer East, Inc. under Article X of the Asset Purchase Agreement by and between ISC Acquisition Company and Koppers Company, Inc., dated as of December 16, 1988 (the "December 16, 1988 Agreement").

"Environmental Law" means any federal, state or local statute, ordinance, rule, regulation, order or common-law doctrine, provisions and conditions of Environmental Permits, orders and decrees establishing standards of conduct for protection of human health and the environment, including, but not limited to (i) releases of Hazardous Materials into the environment, (ii) exposure of persons to Hazardous Materials, or (iii) regulation of the manufacture, use or introduction into commerce of chemical

substances and materials, including, without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal.

"Exchange Consideration" means \$131 million.

"Exchange Consideration Per Share" means the number of shares of Buyer Common Stock determined by (i) dividing the Exchange Consideration by the sum of (a) the number of shares of New Company Common Stock and (b) the number of shares of New Company Common Stock subject to issuance upon the exercise of the Warrant and all vested and unvested Options, in each case, to the extent outstanding as of the Closing Date, and (ii) dividing the result obtained in clause (i) by the Buyer Common Stock Value.

"Former Employees" means former employees of the Company and its Subsidiaries to whom the Company or the Subsidiaries is providing, or has a future obligation to provide, benefits under the Plans.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including the SEC or any other government authority, agency, department, board, commission or instrumentality of the United States, any foreign government, any State of the United States or any political subdivision thereof, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any governmental or non-governmental self-regulatory organization, agency or authority.

"Hazardous Materials" means (a) any element, compound, or chemical that is defined, listed or otherwise classified as a contaminant, pollutant, toxic pollutant, toxic or hazardous substance, extremely hazardous substance or chemical, hazardous waste, special waste, or solid waste under Environmental Laws; (b) petroleum, petroleum-based or petroleum-derived products; (c) polychlorinated biphenyls; and (d) any substance exhibiting a hazardous waste characteristic including but not limited to corrosivity, ignitability, toxicity or reactivity as well as any radioactive or explosive materials.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indenture" means the indenture between INDSPEC Chemical Corporation and United States Trust Company of New York, as Trustee, dated as of December 2, 1993, with respect to 11 1/2% Series B Senior Subordinated Discount Notes due 2003.

"Knowledge" means, in the case of a corporation or its subsidiaries, the actual knowledge of any vice president or more senior officer of such corporation and its subsidiaries and the actual knowledge of such employees of such corporation and its subsidiaries as would reasonably be expected to have knowledge of the relevant subject matter.

"Material Plant Loss" means any damage, destruction or other similar unplanned event that results in the cessation of all or substantially all of the production at INDSPEC Chemical Corporation's resorcinol production facility in Petrolia, Pennsylvania (the "Plant") for a period that exceeds, or is reasonably likely to exceed, thirty (30) consecutive days, including an unplanned event which occurs during a planned outage or maintenance, but taking into account for these purposes only the period exceeding the planned period.

"Person" means any natural person, corporation, trust, partnership, limited liability corporation, or other judicial entity.

"Taxes" means all federal, state, local and foreign taxes, and other governmental assessments of a similar nature (whether imposed directly or through withholding), including any interest, additions to tax, or penalties applicable thereto.

"Tax Authority" means the Internal Revenue Service and any other domestic or foreign governmental authority responsible for the administration of any Taxes.

"Tax Returns" means all Federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns (including any amendments thereto) relating to Taxes.

(b) The following terms shall have the meaning specified in the indicated section of this Agreement:

TERM - - - - -	SECTION - - - - -
ACM.....	Section 4.15
Agreement.....	Recitals
Annual Report.....	Section 4.17
Buyer.....	Recitals
Buyer Common Stock.....	Recitals
Buyer SEC Documents.....	Section 5.9
CHPII.....	Recitals
Castle Harlan Management Agreement.....	Section 7.1
Class A Common Stock.....	Recitals
Class B Common Stock.....	Recitals
Class A Subject Shares.....	Section 3.1
Class B Subject Shares.....	Section 3.1
Code.....	Section 4.17
Commencement Date.....	Section 3.1
Company.....	Recitals
Company Common Stock.....	Recitals
Company Permits.....	Section 4.20
Confidentiality Agreement.....	Section 6.6
December 16, 1988 Agreement....	Section 1.1
DGCL.....	Section 2.1
D&O Insurance.....	Section 6.7
Effective Date.....	Section 2.1
Enabling Agreement.....	Section 6.4
Environmental Permits.....	Section 4.15
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ERISA.....	Section 4.17
ERISA Affiliate.....	Section 4.17
ERISA Plans.....	Section 4.17
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Exchange Consideration Per Warrant.....	Section 3.2
Exchange Offers.....	Recitals
Exchange Offer Registration Statement.....	Section 6.10
Financial Statements.....	Section 4.3
GAAP.....	Section 4.3
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September 30 Financials.....	Section 6.3
SPD.....	Section 4.17
Securities Act.....	Section 5.10
Stockholders Approval.....	Section 3.8
Stockholders Meeting.....	Section 6.12
Subject Shares.....	Section 3.1
Subsidiary.....	Section 4.2
Surviving Corporation.....	Recitals
Valuation Period.....	Section 3.7
Voting Agreement.....	Recitals
Warrant.....	Section 4.5
Welfare Plan.....	Section 4.17

SECTION 1.2. Dollar References. All references herein to dollars or "\$" shall be to United States dollars.

SECTION 1.3. Rounding Convention. Unless otherwise specified in this Agreement, in any instance in which this Agreement requires that a mathematical calculation be performed, or makes reference to a fraction, the result obtained after performing such calculation, and any such fraction, shall be expressed as a decimal and rounded to the nearest 1/100th with .5/100 rounded upward to



## ARTICLE II.

## THE MERGER

SECTION 2.1. The Merger. Upon the terms and subject to the conditions of the Merger Agreement, dated as of the date hereof, by and among Roundtable and the Company and in accordance with the Delaware General Corporation Law (the "DGCL"), Roundtable shall be merged with and into the Company on the second business day (the "Effective Date") after the satisfaction or waiver of the conditions set forth in Article VII hereof. Following the Merger, the Company shall continue as the Surviving Corporation and the separate corporate existence of Roundtable shall cease.

SECTION 2.2. Closing of the Merger. The consummation of the Merger shall take place at the offices of Eckert, Seamans, Cherin & Mellott, 600 Grant Street, Pittsburgh, Pennsylvania 15219 at 10:00 a.m. Pittsburgh time, on the Effective Date, or at such other time and place as the Buyer and the Company mutually agree upon in writing.

## ARTICLE III.

## THE SHARE EXCHANGE

SECTION 3.1. The Buyer's Exchange Offers. (a) No later than one business day following the Effective Date, the Buyer shall commence (the date of commencement being the "Commencement Date") the Exchange Offers, including mailing the offers to exchange relating thereto (the "Offers to Exchange"), subject to the terms and conditions set forth in this Agreement. The Offers to Exchange will provide for the Buyer to offer to exchange the Exchange Consideration Per Share, for (i) each of the outstanding shares of Class B Common Stock (the "Class B Subject Shares") and (ii) up to 8,504 shares of Class A Common Stock that are outstanding or subject to issuance upon exercise of vested Options or the Warrant less 506 shares if the Warrant is converted into a warrant to purchase Class B Common Stock (the "Class A Subject Shares" and, together with the "Class B Subject Shares," the "Subject Shares").

(b) The obligations of the Buyer to commence the Exchange Offers shall be subject to the satisfaction or waiver of conditions set forth in Sections 7.1 and 7.3 hereof. Notwithstanding any other provision hereof, the Buyer shall conduct the Exchange Offers in accordance with all applicable laws, including, without limitation, Section 14(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder. The Buyer may not extend the Exchange Offers beyond twenty (20) business days from the Commencement Date. The Exchange Offers shall not be amended with respect to any provision thereof set forth in this Agreement or Annex B without the prior written consent of the Company, except that the Buyer may in its sole discretion waive any of the conditions to the Exchange Offers.

## SECTION 3.2. Mechanics.

(a) The Exchange Offers will provide that shares of Class A Common Stock may be validly tendered by delivery of certificates or by delivery of a notice of guaranteed delivery executed by the Company indicating that (i) the tendering party is entitled to receive shares of Class A Common Stock upon exercise of a vested Option, (ii) such Option has been validly exercised subject only to the condition that the Buyer accept the shares issuable thereunder in the Exchange Offers and (iii) the tendering party has directed the Company to deliver such "accepted" shares directly to the Buyer upon notice of acceptance from the Buyer.

(b) The letter of transmittal used in the Exchange Offers will permit the tendering party to indicate the priority of acceptance of the shares it has tendered (among certificated shares and shares issuable upon exercise of each vested Option) in the event of prorationing.

SECTION 3.3. Option Loans. The Company, to the extent that it is permitted to do so pursuant to the terms of the Indenture and the Credit Agreement, may provide to each holder of vested Options for which the shares issuable upon exercise thereof are accepted by the Buyer in the Exchange Offers, as a loan, the amount of the exercise price necessary to exercise such vested Options. The Company's loan to each such holder shall be evidenced by a promissory note which provides for a thirty-day loan at a per annum interest rate equal to

the lowest rate under applicable Federal tax law necessary to avoid accrual of imputed interest income thereon. If the Company determines not to make the loans contemplated by Section 3.3, the Company may amend the relevant stock option plans to permit the cashless exercise (including reload provisions) of the Options on terms mutually agreeable to the Company and the Buyer.

SECTION 3.4. Prorating. If a number of shares of Class A Common Stock greater than the number of Class A Subject Shares is validly tendered in the Exchange Offers, the Buyer shall accept such shares on a pro rata basis based on the number of shares validly tendered by each stockholder.

SECTION 3.5. Closing of the Exchange Offers. The obligations of the Buyer to accept for exchange any Subject Shares pursuant to the Exchange Offers and to deliver the Exchange Consideration Per Share shall be subject only to the conditions set forth in Annex B hereto being satisfied, and the Buyer agrees to deliver such consideration promptly following expiration of the Exchange Offers.

SECTION 3.6. Fractional Shares. No fractional share of Buyer Common Stock shall be issued, and in lieu thereof, a cash payment shall be made pursuant to this Section. On the Closing Date, the Buyer shall calculate the cash amount relating to each fractional share of Buyer Common Stock to which a holder of any of the foregoing instruments would be entitled by multiplying such fraction by the Buyer Common Stock Value and the Buyer shall pay such amounts to such holders of Class A Common Stock and Class B Common Stock, subject to and in accordance with the terms hereof.

SECTION 3.7. Adjustment. If, during the twenty trading day period on which the Buyer Common Stock Value is based (the "Valuation Period"), there shall occur an ex-dividend date with respect to any dividend, or a record date with respect to any subdivision, reclassification, combination or other recapitalization affecting the Buyer Common Stock, then the Buyer Common Stock Value shall be adjusted appropriately in a manner to be determined by the Buyer and consented to by the Company (which consent shall not unreasonably be withheld).

SECTION 3.8. Company Actions. The Company hereby consents to the Exchange and represents that its Board of Directors (at a meeting duly called and held) has (a) duly approved each of the Exchange and the Merger and determined that the Exchange and the Merger are fair to the Company's stockholders, and (b) adopted resolutions recommending approval of the Merger by the stockholders of the Company ("Stockholders Approval"). The Company will, prior to the commencement of the Exchange Offers, promptly furnish Buyer with then current mailing labels containing the names and addresses of the record holders of the Subject Shares, the Options, and the Warrant, and shall furnish the Buyer with such additional information, and other assistance as the Buyer may reasonably request for the purpose of communicating the Exchange Offers to the holders of the Subject Shares, the Options and the Warrant. Except for such steps as are necessary to disseminate the Offers to Exchange, the Buyer shall (i) hold in confidence the information contained in any of such labels and lists and the additional information referred to in the preceding sentence, (ii) use such information only in connection with the Exchange Offers, and (iii) if this Agreement is terminated, upon request of the Company, deliver to the Company or destroy all such written information and any copies or extracts thereof then in its possession or under its control.

#### ARTICLE IV.

##### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Buyer that:

SECTION 4.1. Incorporation; Qualification and Corporate Authority. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware with all requisite power and authority to conduct its business as presently conducted and to enter into this Agreement and perform its obligations hereunder. The Company is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which it owns or leases property of a nature, or transacts business of a type, that would make such qualification necessary, except to the extent that the failure



to so qualify or be in good standing could not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the assets, business, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries considered as one enterprise (a "Material Adverse Effect").

SECTION 4.2. Subsidiaries. The Company's only subsidiaries (each a "Subsidiary" and, collectively, the "Subsidiaries") are listed in Schedule 4.2. Each Subsidiary has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization with all requisite power and authority to conduct its business as presently conducted. Except for the Subsidiaries and except as set forth in Schedule 4.2, neither the Company nor any of the Subsidiaries owns, directly or indirectly, any capital stock of or other equity interest in, any other Person. Each Subsidiary is duly qualified to transact business as a foreign entity and is in good standing in each other jurisdiction in which it owns or leases property of a nature, or transacts business of a type, that would make such qualification necessary, except to the extent that the failure to so qualify or be in good standing could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 4.2, all of the outstanding shares of capital stock of (or other equity interest in) each Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company, directly or through one or more Subsidiaries, free and clear of any pledge, lien, security interest, charge, claim, equity or encumbrance of any kind.

SECTION 4.3. Reports and Financial Statements. (a) The Company has previously furnished the Buyer with true and complete copies of: (i) Annual Reports on Form 10-K for the years ended March 31, 1995, 1994 and 1993 filed by INDSPEC Chemical Corporation with the Securities and Exchange Commission (the "SEC"), (ii) the Quarterly Report on Form 10-Q for the three months ended June 30, 1995 filed by INDSPEC Chemical Corporation, and (iii) all other reports filed by INDSPEC Chemical Corporation with the SEC from December 2, 1993 through the date hereof. As of their respective dates, such reports and statements (the "SEC Documents") complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The financial statements of INDSPEC Chemical Corporation included in the SEC Documents, as of their respective dates, comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with generally accepted accounting principles ("GAAP"), applied on a basis consistent with prior periods during the periods involved (except as may be indicated in the notes thereto), and present fairly in all material respects the financial position as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments in accordance with GAAP that are not material in amount or effect, and the absence or condensation of certain notes thereto permitted by GAAP in respect of interim financial statements).

(c) The Company has previously furnished the Buyer with (i) the audited consolidated financial statements of the Company and its Subsidiaries for the fiscal years ended March 31, 1994 and 1995, and (ii) the unaudited consolidated financial statements of the Company and its Subsidiaries for the six-month period ended September 30, 1995 (collectively the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP applied on a basis consistent with prior periods during the periods involved (except as may be indicated in the notes thereto), and present fairly the financial position as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments in accordance with GAAP that are not material in amount or effects and the absence or condensation of notes thereto required by GAAP in respect of interim financial statements).

(d) Except as set forth on Schedule 4.3(d) and other than the obligations contemplated by this Agreement, neither the Company nor any of its Subsidiaries has any liabilities of any kind or nature, whether absolute, contingent or accrued, and whether due or to become due, except (i) those reflected or disclosed in the Financial Statements, (ii) those arising after September 30, 1995 in the ordinary course of business,

consistent with past practice and in an amount that could not reasonably be expected to exceed \$100,000, (iii) loss contingencies that are remote and (iv) performance obligations arising under executory contracts.

SECTION 4.4. Absence of Certain Changes or Events. Except as disclosed in the SEC Documents and as set forth in Schedule 4.4, since June 30, 1995, the Company and its Subsidiaries have conducted their respective businesses only in the ordinary course in all material respects, and there has not been: (i) any change which has had or could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; (ii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of the outstanding capital stock of the Company or of any of its Subsidiaries that is not, directly or indirectly, wholly owned by the Company or, other than as required by the agreements or Plans identified in Schedule 4.4, any direct or indirect redemption, purchase or other acquisition of any shares of such capital stock; (iii) any split, combination or reclassification of any of the outstanding capital stock of the Company or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of the outstanding capital stock of the Company other than by reason of any exercise of Options granted and existing as disclosed on Schedule 4.5; (iv) any issuance or sale of capital stock by the Company or any of its Subsidiaries or any authorization for such action or any issuance or grant of any options, warrants, agreements, conversion or exchange rights, preemptive rights or other rights to subscribe for, purchase or otherwise acquire any capital stock of, or other equity interest in, the Company or any of its Subsidiaries (individually and collectively, "Rights"); (v) any Material Plant Loss; (vi) any event that would require the approval of the Board of Directors of the Surviving Corporation under the provisions of its By-Laws in the form attached to the Merger Agreement; or (vii) any change in accounting methods, principles or practices by the Company or any of its Subsidiaries materially affecting their respective assets, liabilities or business, except insofar as may have been required by a change in GAAP.

SECTION 4.5. Capitalization. (a) Schedule 4.5 sets forth the authorized, outstanding and treasury capital stock of the Company, (i) as of the date hereof and (ii) immediately prior to the Closing Date after giving effect to the Merger, assuming that none of the Options or the Warrant are exercised on or prior to that date. Schedule 4.5 sets forth the outstanding options to purchase Company Common Stock (the "Options"), including the vesting dates and exercise prices thereof and the outstanding warrant to purchase Company Common Stock (the "Warrant") including the expiration date and exercise price thereof. Except as set forth on Schedule 4.5, no shares of capital stock or other equity securities of the Company have been issued and are outstanding or are reserved for issuance. Except as set forth in Schedule 4.5, at the date hereof there are, and immediately prior to the Closing there will be, no (i) Rights or (ii) restrictions on the voting or transfer of such shares of capital stock or other equity interests.

(b) The outstanding shares of Company Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive and similar rights.

SECTION 4.6. Binding Obligation. The execution and delivery of this Agreement and the performance by the Company of its obligations hereunder have been duly authorized by all necessary corporate action on the part of the Company (subject to Stockholder Approval) and this Agreement has been duly executed and delivered by the Company. Assuming this Agreement constitutes a valid and binding obligation of the Buyer, this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that the enforceability thereof may be limited by: (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and remedies; and (ii) general principles of equity, including, without limitation, principles of reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in equity or at law).

SECTION 4.7. No Defaults or Conflicts. The execution and delivery of this Agreement by the Company and performance by the Company of its obligations hereunder (i) do not and, as of the Closing will not, after notice or lapse of time or both, result in any violation of the charter, by-laws or other organizational document of the Company or any Subsidiary; and (ii) do not and, as of the Closing, will not (x) conflict with, or result in a breach of any of the terms or provisions of, result in the modification or cancellation of, or give rise to any right of termination, acceleration, prepayment or redemption in respect of or constitute a default under:

(A) (except for such conflicts, breaches or defaults that could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect and except as set forth in Section 3.14 of the Indenture), any indenture, mortgage or loan agreement or any other agreement or instrument to which the Company or any Subsidiary is a party or by which they may be bound or to which any of their respective properties may be subject, assuming that the condition set forth in Section 7.3.(g) will have been satisfied on or before the Closing Date; or (B) any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Authority having jurisdiction over the Company or any Subsidiary or any of their respective properties, other than such consents, approvals, authorizations, filings or notices as are set forth in Schedule 4.7 and immaterial filings, authorizations, consents or approvals; or (y) result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary (except for such liens, charges or encumbrances that could not, singly, or in the aggregate, reasonably be expected to have Material Adverse Effect).

SECTION 4.8. No Authorizations or Consents Required. Other than as listed in Schedule 4.8, no consent, authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other person (except for immaterial consents, authorizations, approvals, actions, notices or filings) will be required to be obtained or made by the Company or any of its Subsidiaries or, to the Knowledge of the Company, any of its stockholders in connection with the due execution and delivery by the Company of this Agreement and the consummation by the Company or any of its stockholders of the transactions contemplated hereby.

SECTION 4.9. Permits. Except for those Permits identified in Schedule 4.9, which have been timely applied for but not yet obtained, each of the Company and the Subsidiaries has in full force and effect all Federal, state, local and foreign governmental approvals, consents, authorizations, certificates, filings, franchises, licenses, notices, permits and rights (collectively, "Permits") necessary for it and them to conduct its and their respective businesses as presently conducted, and there has not occurred any default under any Permit, except for those that could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect. There are no actions, suits or proceedings pending or, to the Knowledge of the Company, threatened relating to the suspension, revocation or modification of any Permit, except for such that could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 4.10. No Actions, Suits or Proceedings. Except as set forth in Schedule 4.10, there is no action, suit or proceeding pending, or to the Knowledge of the Company, threatened against the Company or any Subsidiary that (i) could, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect or (ii) questions the validity, legality or enforceability of this Agreement, the Merger Agreement, the Voting Agreement or the transactions contemplated hereby or thereby or seeks to prevent the consummation of the transactions contemplated hereby or thereby, including (without limitation) the Merger and the Exchange.

SECTION 4.11. Documents; Material Contracts. As of the date hereof, all documents described in or filed as an exhibit to any SEC Document have been provided or made available to the Buyer by the Company.

Schedule 4.11 sets forth all of the following contracts to which the Company or any of its Subsidiaries is a party or by or to which any of their properties or business are bound or subject and which have not expired or have no further effect by their terms: (i) contracts with any current or former officer, director, employee, security holder, option holder, warrant holder, consultant or agent; (ii) material contracts for the purchase, lease or other acquisition of materials, supplies, equipment, merchandise, services, real property or any other material asset; (iii) material patent, trademark, service mark, trade name, copyright or franchise licenses, royalty agreements or similar contracts; (iv) material distributorship, representative, management, marketing, sales agency, printing or advertising contracts; (v) contracts for the sale, lease or other transfer (or the grant to any person of any preferential rights to purchase, lease or otherwise acquire) any material properties; (vi) joint venture contracts, partnership agreements or similar contracts; (vii) contracts under which the Company or any of its Subsidiaries has directly or indirectly guaranteed the obligations of any Person; (viii) contracts under which the Company or any of its Subsidiaries has agreed to directly or indirectly indemnify any person or to directly or indirectly share tax liability with any person; (ix) contracts directly or indirectly limiting the

freedom of the Company or any of its Subsidiaries to engage in any line of business or in any geographic area; (x) contracts directly or indirectly relating to the acquisition by the Company or any of its Subsidiaries of any operating business or the capital stock of, or other equity interest in, any person; (xi) contracts relating to indebtedness for money borrowed (other than contracts that, in the aggregate, relate to indebtedness in the principal amount of \$100,000 or less); and (xii) except for contracts that do not obligate the Company to make aggregate payments thereunder in excess of \$100,000 or relate to accounts payable arising in the ordinary course of business on terms consistent with past practice, each other contract, whether or not made in the ordinary course of business, that is not included under the foregoing clauses and is otherwise material to the business of the Company or any of its Subsidiaries. The Company has made available to the Buyer a correct and complete copy of each of the foregoing contracts. All such contracts are in full force and effect (unless otherwise provided therein), the Company and its Subsidiaries have paid in full or accrued all amounts due thereunder and have satisfied in full or provided for all of their liabilities and obligations thereunder in accordance with GAAP and past practices, except to the extent that the failure to so pay or accrue could not reasonably be expected to result in additional liabilities or obligations to pay an amount in the aggregate in excess of \$100,000.

SECTION 4.12. Properties and Assets. (a) Schedule 4.12 sets forth a true and complete list of all real property and interests therein owned or held by the Company and its Subsidiaries. Except as provided in Schedule 4.12, each of the Company and its Subsidiaries has good and marketable title to all properties and assets owned by it, free and clear of all pledges, liens, security interests, charges, claims or encumbrances, except (i) such as could not reasonably be expected to have a Material Adverse Effect, and (ii) for real estate taxes not yet due and payable.

(b) Except as provided in Schedule 4.12, each lease and sublease to which the Company or any of its Subsidiaries is a party and which is used in the business of the Company and its Subsidiaries is in full force and effect, and neither the Company nor any of its Subsidiaries has any notice of any claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any such lease or sublease, except for such claims that could not reasonably be expected to have a Material Adverse Effect.

(c) All improvements on real property owned or leased by the Company or any of its Subsidiaries, and the operations conducted thereat, conform in all material respects, to all applicable land use, zoning or similar laws.

(d) Except as set forth on Schedule 4.12, for the period beginning on the date hereof and ending on June 30, 1996, the Company and INDSPEC Chemical Corporation have no planned or scheduled outage or maintenance of the Plant that will or is reasonably likely to result in cessation of all or substantially all of the production at the Plant.

SECTION 4.13. Intangibles. Each of the Company and the Subsidiaries owns or possesses adequate patents, patent licenses, trademarks, service marks and trade names necessary to the production or sale of resorcinol or that otherwise could reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole. Neither the Company nor any Subsidiary has received any notice of infringement of, or conflict with asserted rights of others with respect to, any patents, patent licenses, trademarks, service marks or trade names that could reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect or that relate to the production or sale of resorcinol.

#### SECTION 4.14. Employee Relations.

(a) The Company and its Subsidiaries have approximately 378 employees. Except as disclosed on Schedule 4.14 there is no unfair labor practice charge or complaint pending or threatened against the Company, any of its Subsidiaries, or any Person for whom any of them is or may be responsible by law or contract, before the National Labor Relations Board or any corresponding state, local or foreign agency, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending or threatened. Except as disclosed on Schedule 4.14, there is no strike, labor dispute, slowdown or stoppage pending or threatened against the Company, any of its Subsidiaries, or any Person for whom any of them is or may be responsible by law or contract. Except as disclosed on Schedule 4.14, there is no union

representation claim or question existing with respect to the employees of the Company, any of its Subsidiaries or any Person for whom any of them is or may be responsible by law or contract, and no union organizing activities are taking place. The Company is not aware of any existing, threatened or imminent labor disturbance involving the employees of any principal suppliers, manufacturers or contractors of the Company. Except as disclosed on Schedule 4.14, neither the Company, any of its Subsidiaries, nor any Person for whom any of them is or may be responsible by law or contract, is a party to or bound by any collective bargaining agreement contract or other agreement or understanding with a labor union, organization or guild. The Company has provided the Buyer with copies of all such agreements. To the knowledge of the Company, employer-employee relations of the Company and its Subsidiaries are generally satisfactory.

(b) To the best knowledge of the Company, neither the Company nor any of its Subsidiaries has violated any applicable federal, state, provincial or foreign law relating to employment or employment practices or the terms and conditions of employment, including, without limitation, discrimination in the hiring, promotion or pay of employees, wages, hours of work, plant closings and layoffs, collective bargaining, and occupational safety and health. Neither the Company, any of its Subsidiaries nor any person for whom any of them is or may be responsible by law or contract, is engaged in any unfair labor practice.

SECTION 4.15. Environmental Compliances. The Buyer acknowledges that it has been given the opportunity to conduct environmental site assessments on the properties of the Company and its Subsidiaries and has been given the opportunity to review the operations of the Company and its Subsidiaries as well as the environmental records relating to those operations. Except for information which is included in the environmental audit report prepared by TRC Environmental Corporation and which is not materially different than information known to the Company, or except as set forth on Schedule 4.15, to the Company's Knowledge:

(a) (i) each of the Company and its Subsidiaries has been and is in compliance with all applicable Environmental Law except where non-compliance could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect; (ii) each of the Company and its Subsidiaries has all permits, licenses, registrations, authorizations and approvals and financials assurance (including, without limitation, rights under grandfather provisions, exemptions, waivers and the like) ("Environmental Permits") that are required to be held or provided by the Company and its Subsidiaries in order to conduct their respective businesses as currently operated under applicable Environmental Law, each is in material compliance with the requirements of all such Environmental Permits except where non-compliance could not, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect, and neither the Company nor any of its Subsidiaries has been notified by any Governmental Authority or has any basis to believe that any Environmental Permit may be modified, suspended or revoked, or that any Environmental Permit (including, without limitation, any air pollution permit under Title V of the federal Clean Air Act) cannot be renewed or obtained in the ordinary course of business; (iii) there is no Environmental Permit with respect to which the Company and its Subsidiaries have failed to make timely application or reapplication under Environmental Law; (iv) Schedule 4.15 lists all Environmental Permits held by the Company and its Subsidiaries, and the Company has made copies of all Environmental Permits available for inspection by the Buyer; (v) there are no pending or threatened Environmental Claims against the Company or any of its Subsidiaries; (vi) there are no orders or decrees (including, without limitation, consent orders or consent decrees), judgments, settlements, agreements or other binding obligations of any kind relating to Environmental Claims or Environmental Law specifically applicable to the Company or any of its Subsidiaries or to any property owned, leased or operated by the Company or any of its Subsidiaries; and (vii) there are no environmental conditions or occurrences at any of the properties owned or operated by the Company or any of its Subsidiaries or to the Knowledge of the Company at any properties formerly owned or operated by the Company or any of its Subsidiaries nor any acts or omissions by the Company or any of its Subsidiaries that could form the basis of any Environmental Claim against the Company or any of its Subsidiaries which Environmental Claims could reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect.

(b) (i) there is no friable asbestos-containing material ("ACM") in or on any property currently owned, leased or operated by the Company or any of its Subsidiaries, other than friable ACM which has

been identified and abated in compliance with OSHA and applicable state standards and which is subject to an operations and maintenance program as recommended by the U.S. EPA; (ii) no underground storage tanks (including underground storage tanks that do not have to be registered under Environmental Laws) are or have been owned or operated by the Company or any of its Subsidiaries on any property currently owned, leased or operated by the Company or any of its Subsidiaries, and the Company has provided the Buyer with all relevant information relating to any such underground storage tank which the Company or any of its Subsidiaries have owned or operated on such property; (iii) the Company or any of its Subsidiaries have not used or operated any surface impoundments, landfills, waste piles, injection wells, land treatment areas, incinerators or other solid waste management units on any property currently owned, leased or operated by the Company or any of its Subsidiaries, (iv) neither the Company nor any of its Subsidiaries owns or operates any equipment containing PCBs in concentration greater than 50 parts per million; and (v) Schedule 4.15 contains a list of all spills, discharges and other releases which were required to be reported to Koppers Company, Inc. (including its successors) under section 10.5(b) of the December 16, 1988 Agreement and identifies any such spills, discharges or other releases which were not reported to Koppers Company, Inc. (including its successors).

(c) (i) The Company has fully and accurately disclosed to the Buyer all final environmental reports, studies, (including, but not limited to risk assessments performed in connection with or in any way relating to or referring to remedial actions, remedial investigations, environmental audits, internal assessments of potential responsibility or liability under Environmental Law), and records of agency audits under Environmental Law (collectively "Environmental Studies") of which the Company and any of the Subsidiaries have Knowledge and which relates to any property owned, leased or operated by the Company or any of its Subsidiaries, and has provided the Buyer with copies of all Environmental Studies in its possession or control; (ii) the Company has fully and accurately disclosed to the Buyer, and provided the Buyer with copies of all documents relating to or evidencing, any communications by or from ISC Acquisition Company (including its successors) and Koppers Company, Inc. (including its successors) relating to Environmental Rights and Obligations, including, without limitation, with respect to any claims made by any party under Article X of the December 16, 1988 Agreement and the response of the other party thereto; and (iii) the Company has fully and accurately disclosed to the Buyer all Environmental Studies of which it has Knowledge relating to environmental conditions on the adjoining property owned or operated by Koppers, Inc. (including its successors) which may have adversely impacted the property of the Company or any of its Subsidiaries or the natural resources on or below the properties and has provided the Buyer with copies of all such Environmental Studies.

(d) (i) Schedule 4.12 lists all properties which are or have been owned, leased or operated by the Company or any of its Subsidiaries, and (ii) the Company has provided the Buyer with copies of all Environmental Contracts.

SECTION 4.16. Taxes. Except as otherwise disclosed in Schedule 4.16:

(a) The Company and each of its Subsidiaries have timely filed (or have had timely filed on their behalf) or will file or cause to be timely filed, all Tax Returns required by applicable law to be filed by any of them prior to or as of the Closing Date, and all such Tax Returns are or will be true, complete and correct except to the extent the failure to file such Tax Returns or the failure of such Returns to be true, correct or complete would not, singly or in the aggregate, result in a Tax deficiency in excess of \$50,000.

(b) The Company and each of its Subsidiaries have paid (or have had paid on their behalf) within the time and in the manner prescribed by law, or where payment is not yet due, have established (or have had established on their behalf), or will establish or cause to be established on or before the Closing Date, an adequate accrual for the payment of all material Taxes due with respect to any period ending prior to or as of the Closing Date.

(c) No Audit by a Taxing Authority is pending or threatened in writing with respect to any material Taxes due from the Company or any of its Subsidiaries. There are no outstanding waivers extending the statutory period of limitation relating to the payment of material Taxes due from the Company or any of its Subsidiaries for any taxable period ending prior to the Closing Date which are expected to be

outstanding as of the Closing Date. No actions, suits or proceedings are pending or have been threatened in writing against the Company or any of its Subsidiaries in respect of Taxes.

(d) No issue has been raised in any Audit of the Company or any of its Subsidiaries that, if raised with respect to any period not so audited, could reasonably be expected to result in a proposed deficiency for such other period. No deficiency or adjustment for any Taxes has been threatened, proposed or asserted in writing or assessed against the Company or any of its Subsidiaries.

(e) Neither the Company nor any of its Subsidiaries is bound by or is a party to any material agreement related to Taxes, including any agreement with any Tax Authority that can affect a Tax period commencing after the Closing Date.

(f) There are no liens for Taxes upon any of the assets of the Company or any of its Subsidiaries except liens for Taxes not yet due and payable.

#### SECTION 4.17. Employee Benefits.

(a) Schedule 4.17 contains a true and complete list of each bonus, deferred compensation, incentive compensation, stock purchase, stock option, severance or termination pay, hospitalization or other medical, life or other insurance, supplemental unemployment benefits, profit-sharing, pension, or retirement plan, program, agreement or arrangement, and each other employee benefit plan, program, agreement or arrangement, sponsored, maintained or contributed to or required to be contributed to by the Company or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that together with the Company would be deemed a "single employer" within the meaning of section 4001(b)(1) of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder ("ERISA"), for the benefit of any employee or former employee of the Company, whether formal or informal and whether legally binding or not (the "Plans"). Schedule 4.17 includes each of the Plans that is an "employee welfare benefit plan," as defined in Section 3(1) of ERISA ("Welfare Plans") or "employee pension benefit plan" as defined in Section 3(2) of ERISA ("Pension Plans," and together with Welfare Plans, hereinafter referred to collectively as the "ERISA Plans"). Except as set forth in Schedule 4.17, neither the Company nor any ERISA Affiliate has any formal plan or commitment, whether legally binding or not, to create any additional Plan or modify or change any existing Plan that would affect any employee or terminated employee of the Company or any ERISA Affiliate.

(b) With respect to each of the Plans (other than Plans maintained pursuant to a collective bargaining agreement) the Company has not made any representations to any Person that it will continue any such Plan beyond the current plan year.

(c) With respect to each of the Plans, the Company has heretofore delivered to Buyer true and complete copies of each of the following documents:

(i) a copy of the Plan (including any amendments thereto);

(ii) a copy of the annual report (the "Annual Report"), if required under ERISA, with respect to such Plan for the last three years;

(iii) a copy of the actuarial report, if required under ERISA, with respect to each such Plan for the last three years;

(iv) a copy of the most recent Summary Plan Description ("SPD"), together with all Summaries of Material Modification issued with respect to such SPD, required under ERISA with respect to such Plan, and all other material employee communications relating to such Plan;

(v) if the Plan is funded through a trust or any other funding vehicle, a copy of the trust or other funding agreement (including all amendments thereto) and the latest financial statements thereof;

(vi) all contracts relating to the Plans with respect to which the Company or any ERISA Affiliates may have any liability, including, without limitation, insurance contracts, investment management agreements, subscription and participation agreements and record keeping agreements; and

(vii) the most recent determination letter received from the Internal Revenue Service with respect to each Plan that is intended to be qualified under Section 401 of the Internal Revenue Code of 1986, as from time to time amended (the "Code").

(d) No liability under Title IV of ERISA has been incurred by the Company or any ERISA Affiliate since the effective date of ERISA that has not been satisfied in full, and to the knowledge of the Company, no condition exists that presents a material risk to the Company or an ERISA Affiliate of incurring a liability under such Title, other than liability for premiums due the Pension Benefit Guaranty Corporation ("PBGC"), which payments have been or will be made when due. To the extent this representation applies to Sections 4064, 4069 or 4204 of Title IV of ERISA, it is made not only with respect to the ERISA Plans but also with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which the Company or an ERISA Affiliate made, or was required to make, contributions during the five (5) year period ending on the last day of the Company's most recent fiscal year.

(e) To the Knowledge of the Company, PBGC has not instituted proceedings to terminate any of the ERISA Plans and no condition exists that presents a material risk that such proceedings will be instituted.

(f) No material reportable event within the meaning of Section 4043 of ERISA or prohibited transaction within the meaning of Section 406 of ERISA has occurred with respect to any Plan, other than listed in Schedule 4.17 or the Annual Report.

(g) To the knowledge of the Company, neither the Company, any ERISA Affiliate, any of the ERISA Plans, any trust created thereunder nor any trustee or administrator thereof has engaged in a transaction or has taken or failed to take any action in connection with which the Company, any ERISA Affiliate, any of the ERISA Plans, any such trust, any trustee or administrator thereof, or any party dealing with the ERISA Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975, 4976 or 4908B of the Code.

(h) Full payment has been made, or will be made in accordance with Section 404(a)(6) of the Code, of all amounts which the Company or any ERISA Affiliate is required to pay under the terms of each of the ERISA Plans and Section 412 of the Code, and all such amounts properly accrued through the Closing with respect to the current plan year thereof will be paid by the Company on or prior to the Closing or will be recorded on the Balance Sheet; and none of the ERISA Plans or any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, as of the last day of the most recent fiscal year of each of the ERISA Plans ended prior to the date of this Agreement.

(i) No Plan is a "multiemployer plan," as such term is defined in Section 3(37) of ERISA.

(j) Except as disclosed in Schedule 4.17, no amounts payable under the Plans or any other agreement or arrangement to which the Company or any ERISA Affiliate is a party will, as a result of the transaction contemplated hereby, fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

(k) No "leased employee," as that term is defined in Section 414(n) of the Code, performs services for the Company of any ERISA Affiliate.

(l) Except as set forth in the disclosure schedule, no Plan provides benefits, including without limitation death or medical benefits (whether or not insured), with respect to current or former employees after retirement or other termination of service other than (i) coverage mandated by applicable law, (ii) death benefits or retirement benefits under any "employee pension plan," as that term is defined in Section 3(2) of ERISA, (iii) deferred compensation benefits accrued as liabilities on the books of the Company or the ERISA Affiliates, or (iv) benefits, the full cost of which is borne by the current or former employee (or his beneficiary).

(m) With respect to each Plan that is funded wholly or partially through an insurance policy, there will be no material liability of the Company or an ERISA Affiliate, as of the Closing Date, under any such insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate



adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date.

(n) Each Pension Plan that is intended to be a qualified retirement plan under Section 401(a) of the Code is so qualified and each trust thereunder was exempt from United States federal taxation under Section 501(a) of the Code. Prior to March 31, 1995, applications seeking further determinations with regard to the Tax Reform Act of 1986 were submitted and are still pending on behalf of the ESOP, Employee Savings Plan and the Retirement Plan for Salaried Employees. Each Pension Plan and each Welfare Plan has been administered in all material respects in compliance with ERISA and the Code and, to the extent not inconsistent with ERISA and the Code, in accordance with the terms of each such plan.

SECTION 4.18. No Other Broker. Other than Morgan Stanley & Co., Incorporated and Castle Harlan, Inc., no broker, finder or similar intermediary has acted for or on behalf of the Company or any of its Subsidiaries in connection with this Agreement or the transactions contemplated hereby, and no broker, finder, agent or similar intermediary, other than Morgan Stanley & Co., Incorporated and Castle Harlan, Inc., is entitled to any broker's, finder's or similar fee or other commission from the Company or any of its Subsidiaries in connection therewith. Schedule 4.18 sets forth all fees and commissions so payable.

SECTION 4.19. Insurance. Schedule 4.19 contains an accurate and complete list of all policies of fire, liability, errors and omissions, officers and directors, workers' compensation and other forms of insurance owned or held by the Company and its Subsidiaries. All such policies are in full force and effect, and premiums with respect thereto covering all periods up to and including the Closing Date have been paid or accrued, and no notice of cancellation or termination has been received with respect to any such policy. Such policies are sufficient for compliance in all material respects with all agreements to which the Company or any of its Subsidiaries is a party; are, to the Company's knowledge, valid, outstanding and enforceable policies; and will not by their terms in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement.

SECTION 4.20. Compliance with Applicable Law. The business of the Company and its Subsidiaries has been and is currently being conducted in substantial compliance with all applicable material laws, ordinances, rules, regulations, decrees or orders of any Governmental Authority and the Company and its Subsidiaries hold all material permits, licenses, variances, exemptions, orders and approvals of all Governmental Authorities necessary for the lawful conduct of their business (the "Company Permits"). The Company and its Subsidiaries are in substantial compliance with the terms of the material Company Permits. The representations and warranties set forth in this Section 4.20 are not being made with respect to the subject matter of the representations and warranties made in Sections 4.14, 4.15, 4.16 and 4.17.

SECTION 4.21. Non-Applicability of Certain Regulations. The Company is not, and does not conduct its operations in a manner that could reasonably be expected to subject it to registration as, an "investment company" under the U.S. Investment Company Act of 1940, as amended. Neither the Company nor any of its Subsidiaries is subject to, nor does any of them conduct its operations in a manner that subjects any of them to, regulation under the U.S. Public Utility Holding Company Act of 1935, as amended, the U.S. Federal Power Act, as amended, the U.S. Natural Gas Act, as amended, or any similar law, rule or regulation of any Governmental Authority.

#### ARTICLE V.

##### REPRESENTATIONS AND WARRANTIES OF BUYER

The Buyer represents and warrants to the Company that:

SECTION 5.1. Incorporation; Qualification and Corporate Authority. The Buyer has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware, with all requisite corporate power and authority to enter into this Agreement and perform its obligations hereunder.

SECTION 5.2. Capitalization. The shares of Buyer Common Stock which will be delivered in the Exchange pursuant to the terms of this Agreement are duly authorized and, upon delivery thereof pursuant to

the Exchange Offers, will be validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, the Buyer's Certificate of Incorporation, By-Laws or any agreement to which the Buyer is or will become a party or is bound.

SECTION 5.3. Binding Obligation. The execution and delivery of this Agreement and the performance by the Buyer of its obligation hereunder have been duly authorized by all necessary corporate action on the part of the Buyer and this Agreement has been duly executed and delivered by the Buyer. Assuming this Agreement constitutes a valid and binding obligation of the Company, this Agreement constitutes the legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except to the extent that the enforceability thereof may be limited by: (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and remedies; and (ii) general principles of equity, including, without limitation, principles of reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in equity or at law).

SECTION 5.4. No Defaults or Conflicts. The execution and delivery of this Agreement by the Buyer and performance by the Buyer of its obligations hereunder (i) do not and, as of the Closing, will not result in any violation of the charter or by-laws of the Buyer; and (ii) as of the Closing, will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Buyer (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not adversely affect the consummation of the Exchange or the value of the Exchange Consideration) under: (A) any indenture, mortgage or loan or any other agreement or instrument to which the Buyer is a party or by which the Buyer may be bound or to which any of its properties may be subject; or (B) any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Authority having jurisdiction over the Buyer or any of its properties, other than: (x) the consents, approvals and notices, which are set forth in Section 6.4, and required under Delaware law, and (y) filings, authorizations, consents or approvals the failure to make or obtain which would not adversely affect the consummation of the Exchange and or the value of the Exchange Consideration.

SECTION 5.5. No Authorization or Consents Required. Other than as listed in Schedule 5.5, no consent, authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other persons will be required to be obtained or made by the Buyer in connection with the due execution and delivery by the Buyer of this Agreement and the consummation by the Buyer of the transactions contemplated hereby.

SECTION 5.6. No Actions, Suits or Proceedings. There is no pending nor, to the knowledge of the Buyer, threatened action, suit or proceeding, against the Buyer before any Governmental Authority that questions the validity or legality of this Agreement or of the transactions contemplated hereby, or which seeks to prevent the consummation of the transactions contemplated hereby, including the Merger and the Exchange.

SECTION 5.7. Sufficient Funds. The Buyer has available to it, and as of the Closing will have, sufficient funds readily available to make any payment required under Section 3.14 of the Indenture required by reason of a Change of Control.

SECTION 5.8. No Other Broker. No broker, finder or similar intermediary has acted for or on behalf of Buyer in connection with this Agreement or the transactions contemplated hereby, and no broker, finder, agent or similar intermediary is entitled to any broker's, finder's or similar fee or other commission in connection therewith based on any agreement, arrangement or understanding with Buyer or any action taken by Buyer.

SECTION 5.9. Reports and Financial Statements. (a) The Buyer has previously furnished the Company with true and complete copies of: (i) the Annual Report on Form 10-K for the year ended December 31, 1994 filed by the Buyer with the SEC, (ii) the Quarterly Reports on Form 10-Q for the three months and six months ended March 31, 1995 and June 30, 1995 filed by the Buyer with the SEC, and (iii) all other reports filed by the Buyer with the SEC since December 31, 1994. As of their respective dates, such reports and statements (the "Buyer SEC Documents") complied in all material respects with the requirements of the

Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such Buyer SEC Documents, and none of the Buyer SEC Documents, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The financial statements of the Buyer included in the Buyer SEC Documents, as of their respective dates, complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP during the period involved (except as may be indicated in the notes thereto), and present fairly in all material respects the financial position as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments in accordance with GAAP and the absence or condensation of footnotes as permitted by GAAP in respect of interim financial statements).

SECTION 5.10. Purchase for Investment. The Buyer is acquiring the Subject Shares solely for investment with no present intention to distribute any of the Subject Shares to any person in violation of the Securities Act of 1933, as amended (the "Securities Act") or any other applicable securities laws, and Buyer will not sell or otherwise dispose of any of the Subject Shares, except in compliance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, and any other applicable securities laws.

#### ARTICLE VI.

##### COVENANTS

From the date of this Agreement up to and including the Closing Date (unless this Agreement is terminated pursuant to Article VIII or unless otherwise specified), the parties hereto covenant and agree as follows:

SECTION 6.1. Conduct of Business. Each of Company and its Subsidiaries shall conduct its businesses only in the ordinary course and consistent with past practices, and shall use its best efforts to preserve intact its business organization and material assets and maintain the rights, franchises and business and customer relations used in or necessary to conduct its businesses in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Closing Date, the Company shall not and shall not permit any of its Subsidiaries to take any action set forth in Sections 4.4(ii), (iii), (iv) and (vii) or to (A) increase the compensation payable or to become payable to executive officers or employees of the Company or any of its Subsidiaries, (B) grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, executive officer or employee of the Company or any of its Subsidiaries or (C) establish, adopt, enter into or amend in any material respect, or take action to accelerate any rights or benefits under, any stock option plan or agreement, employee benefit plan, agreement or policy, except as specifically contemplated by this Agreement.

SECTION 6.2. No Negotiations. The Company shall not, and shall not permit any of its Subsidiaries, affiliates or any other Person acting for or on behalf of any of them to solicit, or entertain offers from, negotiate with, or in any manner discuss, encourage, recommend or agree to any proposal relating to (a) the sale of the stock or assets of the Company or any of its Subsidiaries or any interest therein, (b) the merger, consolidation or other combination of the Company or any of its Subsidiaries with any Person, or (c) the liquidation, dissolution or reorganization of the Company or any of its Subsidiaries, except as specifically contemplated by this Agreement. Without limiting the generality of the foregoing, the Company shall not, and shall not permit any of its Subsidiaries, affiliates or any other Person acting for or on behalf of any of them to furnish or cause to be furnished any information with respect to the Company or any of its Subsidiaries to any Person (other than the Buyer and its employees and agents). If the Company or any of its Subsidiaries, affiliates or agents receives from any Person any offer, proposal or informational request that may be subject to this Section, the Company shall promptly advise such Person, by written notice, of the terms of this Section and shall promptly

deliver a copy of such notice to the Buyer. Notwithstanding the foregoing, if the Board of Directors is advised by counsel in writing that its fiduciary duties require it to take any of the actions set forth in the first sentence of this Section with respect to any proposal, the Company may take such actions. The Company shall deliver a copy of such opinion of counsel to the Buyer, and shall deliver to the Buyer copies of all communications received from or made to the Person who has made such proposal within one day after the Chief Executive Officer is notified thereof.

SECTION 6.3. Expenses. Whether or not the Exchange is consummated, the Buyer, on the one hand, and the Company, on the other hand, shall each bear their respective costs and expenses incurred in connection with the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby; provided, that printing and mailing fees associated with the Registration Statement, the prospectuses included therein and the Proxy Statement (as defined in Section 6.10) and fees incurred in connection with preparation of audited consolidated financial statements of the Company and its Subsidiaries for the 12-month period ended September 30, 1995 (the "September 30 Financials") shall be borne equally by the Buyer and the Company. Notwithstanding the foregoing, if the Exchange is consummated, the fees of Morgan Stanley & Co., Incorporated and the fees and expenses of Castle Harlan, Inc. shall be borne solely by the Buyer.

SECTION 6.4. Further Assurances. The Company and the Buyer shall each use commercially reasonable efforts to (i) take promptly, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement, the Merger Agreement, the Voting Agreement and the Enabling Agreement dated the date hereof by and between the Company and the Buyer (the "Enabling Agreement") as promptly as practicable, (ii) obtain promptly from any governmental entities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made by the Company or the Buyer or any of their subsidiaries in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated herein, including, without limitation, the Merger and the Exchange Offers, and (iii) make promptly all necessary filings, and thereafter make any other required submissions, with respect to this Agreement and the Merger and the Exchange Offers required under (A) the Securities Act, the Exchange Act, blue sky laws of any jurisdiction, or the rules and regulations of the National Association of Securities Dealers or the New York Stock Exchange, as the case may be, (B) the HSR Act and (C) any other applicable laws; provided that each of the Company and the Buyer shall cooperate in connection with the making of all such filings, including providing (to the extent customary in the case of filings under the HSR Act) copies of all such documents to the non-filing party and its advisors, including any work papers in connection with the preparation of the September 30 Financials, prior to filing and consider in good faith all reasonable additions, deletions or other changes suggested by the other party in connection therewith. Each of the Company and the Buyer shall furnish to the other party all information required for any application or other filing to be made pursuant to any applicable law (including all information required to be included in the Proxy Statement, the Offers to Exchange and the Registration Statements) and in connection with the Merger, the Exchange Offers and the other transactions contemplated by this Agreement.

SECTION 6.5. Notice of Events. The Company shall give prompt notice to the Buyer, and the Buyer shall give prompt notice to the Company, of (i) the occurrence or non-occurrence of any event of which it has knowledge, the occurrence or non-occurrence of which would be likely to result in any of the conditions specified in (x) in the case of the Buyer, Section 7.1 or 7.3 or (y) in the case of the Company, Section 7.2 or 7.3 not being satisfied so as to permit the commencement of the Exchange in accordance with the time schedule contemplated by this Agreement, and (ii) any material failure on its part, or on the part of the other party hereto of which it has knowledge, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.5 shall not limit or otherwise affect the remedies available hereunder to party.

SECTION 6.6. Access to Information. (a) The Company will, and will cause its Subsidiaries to, during regular business hours and on reasonable prior notice, allow the Buyer and its authorized representatives full access to the employees, books, records, offices and other facilities and properties of the Company and its

Subsidiaries; provided, however, that any such access shall not unreasonably interfere with the businesses or operations of the Company. Such access shall be coordinated through the President, Chief Financial Officer and General Counsel of the Company, as appropriate.

(b) From the date hereof until the Closing Date, the Company shall promptly provide to the Buyer copies of each agreement, amendment, extension or other instrument executed and delivered by the Company during such period that would be subject to the approval of the Surviving Corporation's Board of Directors under the provisions of the Surviving Corporation's By-laws in the form attached as Exhibit B to the Merger Agreement.

(c) Any information provided to or obtained by the Buyer or its authorized representatives pursuant to subsection (a) above, or otherwise in connection with this Agreement, shall be subject to the provisions of the Confidentiality Agreement dated May 23, 1995 between the Company and the Buyer (the "Confidentiality Agreement"), except as otherwise permitted by this Agreement.

SECTION 6.7. Indemnification and Insurance. (a) Buyer agrees that all rights to indemnification and exculpation from liability for acts or omissions occurring prior to the Closing now existing in favor of the current or former directors, officers or employees of the Company and the Subsidiaries, as provided in their respective certificates of incorporation or by-laws or in indemnification agreements to which they are a party, shall survive the Closing Date and shall continue in full force and effect in accordance with their respective terms for a period of not less than six (6) years after the Closing Date.

(b) Buyer shall take all efforts within its control to cause the Company (including binding its successors, if any) to maintain, for a period of not less than six (6) years after the Closing Date, all of the Company's and the Subsidiaries' directors' and officers' insurance and indemnification policies affording coverage that is substantially the same as under policies in effect on the date hereof and with policy limits that are not less than in effect on the date hereof to the extent that such policies provide coverage for events occurring prior to the Closing Date (collectively, the "D&O Insurance") for all persons who are directors, officers or employees of the Company or any Subsidiary on the date hereof, for as long as the annual premium therefor would not exceed 250% of the current annual premium in effect as of the date of this Agreement (250% of such premium being referred to herein as the "Maximum Premium"); provided, however, that the Company may, in lieu of maintaining such D&O Insurance as provided above, cause comparable coverage to be provided under any policy maintained for the benefit of the directors, officers and employees of the Buyer or any of its direct or indirect subsidiaries, so long as: (i) the issuer thereof has at least an equal claims-paying rating; and (ii) the terms thereof are no less advantageous to the directors, officers and employees of the Company and the Subsidiaries than the existing D&O Insurance. If the existing D&O Insurance expires, is terminated or cancelled during such six (6) year period, the Buyer shall cause the Company to use its reasonable efforts to cause to be obtained as much D&O Insurance as can be obtained for the remainder of such period for an annualized premium not in excess of the Premium, on terms and conditions no less advantageous to the directors, officers and employees of the Company and the Subsidiaries than the existing D&O Insurance.

#### SECTION 6.8. Employees and Employee Benefit Plans.

(a) A true and complete list of the names, positions and salaries or hourly rates, as applicable, of the employees of the Company and its Subsidiaries shall be provided to the Buyer within ten days of signing this Agreement and shall be updated effective the last day of each calendar quarter thereafter. A true and complete list of the names, termination dates and benefit plans under which benefit obligations exist for each Former Employee will be provided by the Company to the Buyer not more than ten days after signing this Agreement and will be updated effective the last day of each year thereafter.

(b) The Buyer agrees to cause the Company and its Subsidiaries to compensate Employees that (i) are not party to any employment agreement, (ii) are not covered by a collective bargaining agreement and (iii) are employed by the Company or its Subsidiaries on and after the Conversion Date, at salaries or hourly rates at least equal to (y) the salaries or hourly rates of the Company or its Subsidiaries in effect immediately prior to the Conversion Date or (z) the salaries or hourly rates payable to employees in the Buyer's chemical operation in similar jobs, the determination of which shall be at the sole discretion of the Buyer.

Notwithstanding the foregoing, nothing in this Agreement shall require the Buyer to maintain, or to cause the Company or its Subsidiaries to maintain the employment of any present or future Employee or group of Employees, which employment may be terminated at any time in the sole discretion of the duly appointed officers of the Company or its Subsidiaries or their respective Boards of Directors, as the case may be, subject only to any binding written employment agreement between the Company or its Subsidiaries and any such Employee.

(c) The Buyer agrees to cause the Company and its Subsidiaries to pay to any Employees that (i) are not party to any employment agreement, (ii) are not covered by a collective bargaining agreement and (iii) are terminated by the Company other than for cause on or within twelve months after the Conversion Date, severance payments in accordance with the Buyer's severance policy as in effect at Closing (a copy of which is attached as Schedule 6.8(c)) as applicable to the employees in its chemical operations of like job status and service, and including service recognized by the Company. In addition, an additional twelve weeks of base pay shall be added to the amount due under Schedule 6.8(c) for any Employees terminated within six months after the Conversion Date.

(d) The Buyer agrees to cause the Company and its Subsidiaries to provide after the Conversion Date to Employees that are employed by the Company or the Subsidiaries, benefit plans and programs to the extent such person is eligible for such benefits prior to the Conversion Date, under either (i) the Company's benefit plans as in effect prior to the Conversion Date, (ii) benefit plans applicable to employees in the Buyer's chemical operations in similar jobs or (iii) a combination of the Company's and Buyer's plans, the determination of which is at the sole discretion of the Buyer, except that the Buyer agrees to continue the Company's medical benefits (or comparable medical benefits) for salaried employees as in effect immediately prior to the Conversion Date until the end of the calendar year following the year in which the Conversion Date occurs, provided that the Company's average per employee premium cost for medical coverage for salaried employees for the plan year prior to the year in which Conversion Date occurs is less than Buyer's average medical plan cost for its salaried employees for the same period. Under such benefit programs, (y) service with, and that is recognized by, the Company or its Subsidiaries shall be counted for purposes of determining (A) any period of eligibility to participant or to vest in benefits and (B) the accrual of benefits under such programs, except to the extent that such service credit would result in duplicate benefit coverage for such service, and (z) Employees and their eligible dependents, if a participant in the Company health, long term disability or life insurance plans, as applicable, shall be deemed to satisfy any pre-existing condition limitations under group medical, dental, life insurance or disability plans that shall be provided after the Conversion Date and amounts paid by such employees towards deductibles and copayment limitations under the Buyer health plans shall be counted toward meeting any similar deductible and copayment limitations under the health plans that shall be provided. In addition, with respect to salaried retirement benefits, the Buyer agrees to cause the Company or its Subsidiaries either (i) to continue the salaried retirement plan as in effect on the date immediately prior to the Conversion Date for at least the two-year period following the Conversion Date or (ii) to provide to salaried Employees the retirement plan applicable to employees in the Buyer's chemical operations in similar jobs along with the pension supplement under the Company's salaried retirement plan for certain salaried employees in accordance with the terms set forth in Schedule 6.8(d); provided, however, if the benefits provided immediately prior to the Conversion Date under either the Buyer's or the Company's retirement plans are not substantially similar to those provided at Closing, then the Buyer and the Company agree to cooperate in good faith to provide the salaried Employees described in Schedule 6.8(d) with an alternative pension supplement to achieve a general pattern of total pension benefits comparable to that provided by Schedule 6.8(d), assuming retirement age 65. Notwithstanding the foregoing, nothing in this Agreement shall require the Buyer, the Company or its Subsidiaries to maintain any particular plan, program or arrangement following the Conversion Date, the maintenance or termination of all of which shall be at the sole discretion of the Buyer.

(e) The Company agrees to administer, and to cause its Subsidiaries to administer, the Plans, from the date of this Agreement to the Conversion Date, in accordance with their terms and applicable laws and regulations, including, without limitation, ERISA and, with respect to a plan intended to be qualified under the Code, with all applicable qualification requirements under the Code. The Company agrees that all

contributions, premiums, and payments shall be made on a current basis and no arrangements will be designed or pursued in order to postpone such payments.

(f) The Company agrees to comply, and to cause its Subsidiaries to comply, in all material respects with all applicable laws pertaining to employment and employment practices and wages, hours, and other terms and conditions of employment with respect to their Employees. The Company agrees to notify Buyer in the event of any pending or threatened labor dispute, strike, lockout, work stoppage, or slowdown against the Company or its Subsidiaries or any proceeding, threatened or actual, by or before the National Labor Relations Board, the Equal Employment Opportunity Commission, the Department of Labor or any other governmental entity in connection with any current, former or prospective employee of the Company or its Subsidiaries or any of the Company's Plans.

(g) If a collective bargaining agreement is to be negotiated or renegotiated prior to the Conversion Date, the Company shall consult in good faith with Buyer on the terms and conditions to be included in such negotiations.

**SECTION 6.9. No Section 338 Election; Certain Transactions Prohibited.** Neither Buyer nor any affiliate thereof shall make an election under Section 338 of the Internal Revenue Code of 1986, as amended, or any similar provision of state or local law, in respect of the Exchange, the Merger or the other transactions contemplated by this Agreement. In addition, neither Buyer nor any affiliate thereof shall cause the Company to engage in any transaction (including, without limitation, the merger of the Company with a direct or indirect subsidiary of Buyer) that could cause the Merger or the Exchange or the other transactions contemplated by this Agreement to be treated as a purchase or sale of assets of the Company or any Subsidiary. Notwithstanding Section 9.1, this covenant shall survive the Closing Date.

**SECTION 6.10. Registration.** (a) As soon as practicable after the date hereof, the Buyer shall prepare and file with the SEC two Registration Statements on Form S-4 (such registration statements, as the same may be amended from time to time, the "Registration Statements") under the Securities Act, the first (the "Redemption Registration Statement") containing a prospectus relating to the Buyer Common Stock to be issued upon the redemption of the Class A Common Stock by its terms, which prospectus will accompany the Company's information or proxy statement (the "Proxy Statement") soliciting the Stockholder Approvals and the second (the "Exchange Offer Registration Statement") containing a prospectus relating to the Buyer Common Stock to be offered in the Exchange Offers (such prospectuses, together with any amendments thereof or supplements thereto, in each case in the form or forms mailed to the Company's shareholders, the "Prospectuses"). The Company shall provide the Buyer with all information concerning the Company as the Buyer may reasonably request in connection with the preparation of the Registration Statements, including such financial statements of the Company as may be necessary or desirable to comply with the applicable provisions of the Securities Act, the Exchange Act and the rules and regulations thereunder. The Company shall provide the Buyer with an opportunity to review all work papers prepared or used in connection with the preparation of any audited financial statements that may be included in the Registration Statements. The Buyer will use commercially reasonable efforts to have or cause the Registration Statements to become effective as promptly as practicable.

(b) Each of the Company and the Buyer agrees that the information relating to it contained or incorporated by reference into the Registration Statements and the Proxy Statement shall not, at the date thereof (or any amendment thereof or supplement thereto), at the date that the Proxy Statement is first mailed to stockholders, at the Commencement Date, at the time of the Stockholders Meeting, on the Effective Date or on the Closing Date (i) contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading or (ii) contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. If at any time prior to the Closing Date any event or circumstances should be discovered by either party hereto which should be set forth in an amendment to the Registration Statements or a supplement to the Proxy Statement, such party shall promptly inform the other party. All documents that each party is responsible for filing with the SEC in connection with the transactions contemplated hereby will

be filed on a timely basis and will comply as to form and substance in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

SECTION 6.11. Merger Agreement. The Company shall not amend the Merger Agreement or waive or modify any of the provisions thereof without the prior written consent of the Buyer.

SECTION 6.12. Meeting of Stockholders. The Company shall promptly take all action necessary in accordance with the DGCL and its Certificate of Incorporation and By-laws to convene a meeting of the stockholders of the Company to consider the Merger, including, without limitation, the mailing of the Proxy Statement to the Company's stockholders (such meeting, including any adjournments or postponements thereof, being the "Stockholders Meeting"); provided, however, that the Company shall not be obligated to convene the Stockholders Meeting if it obtains the written consent to the Merger of holders of at least 90% of outstanding Company Common Stock. As soon as practicable after the Redemption Registration Statement shall have become effective, the Company shall mail to its stockholders the Proxy Statement and the prospectus included in the Redemption Registration Statement. The Proxy Statement shall include the recommendation of the Company's Board of Directors in favor of the Merger, unless otherwise required by the applicable fiduciary duties of the directors of the Company, as determined by such directors in good faith after consultation with and based upon the written advice of independent legal counsel. The Company shall use its best efforts to solicit the approval of the Merger by all holders of Company Common Stock and shall take all other actions necessary or advisable to secure the Stockholder Approval, unless otherwise required by the applicable fiduciary duties of the Board of Directors of the Company, as determined by such directors in good faith.

SECTION 6.13. Additional Consideration. On the Closing Date, the Buyer shall issue and deliver to each holder of Options (the "Retained Options") or shares of Class A Common Stock (the "Retained Stock" and, together with the shares of Class A Common Stock for which any Retained Options are exercisable, the "Retained Securities") not purchased pursuant to Section 3.1, that number of shares of Buyer Common Stock determined by multiplying (a) the number of Retained Securities held by such holder, by (b) the quotient obtained by dividing (i) \$3 million by (ii) the total number of Retained Securities held by all holders, and dividing the result by (iii) the Buyer Common Stock Value. Cash shall be paid by the Buyer in lieu of issuing fractional shares of Buyer Common Stock as provided by Section 3.6.

SECTION 6.14. Insurance Maintenance. The Company will use its reasonable efforts to assure that all of the insurance policies that are listed in Schedule 4.19 and that are material to the Company and its Subsidiaries, taken as a whole, will remain in full force and effect on the Closing Date or be replaced by comparable policies.

SECTION 6.15. September 30 Financials. The Company shall cause its independent public accountants to conduct an audit of the September 30 Financials and shall deliver the September 30 Financials to the Buyer for inclusion in the Registration Statements.

SECTION 6.16. Additional Information. The Company shall deliver to the Buyer any documents which would be required to be described in or filed as an exhibit to any SEC Document prepared after the date hereof.

#### ARTICLE VII.

##### CONDITIONS PRECEDENT TO THE CONSUMMATION OF THE MERGER AND THE COMMENCEMENT OF THE EXCHANGE OFFERS

SECTION 7.1. Conditions Precedent of Buyer to Commence the Exchange Offers. The obligation of the Buyer to commence the Exchange Offers is subject to the satisfaction of the following conditions, any one or more of which may be waived by the Buyer, in its sole discretion:

(a) The Merger of the Company and Roundtable pursuant to the Merger Agreement shall have become effective in accordance with all applicable laws.



(b) The representations and warranties of the Company set forth in Article IV shall be true and correct in all material respects when made and, other than with respect to the representations and warranties set forth in Sections 4.4(i), 4.4(v), 4.4(vi), 4.10, 4.11, 4.12(d), 4.14(a), 4.15 and 4.19, as of the Commencement Date as though made on such date, and the Company shall have complied in all material respects with all agreements and satisfied all conditions set forth herein on its part to be performed or satisfied on or prior to the Commencement Date.

(c) The Buyer shall have received on or prior to the Commencement Date (i) a certificate, dated as of the Commencement Date, from the President of the Company on behalf of the Company, in such individual's capacity as an officer of the Company and not as an individual, to the effect that each of the conditions set forth in this Section 7.1 has been satisfied, and (ii) a certificate, dated as of the Commencement Date, from the Secretary of the Company certifying as to the accuracy and completeness of the attached by-laws, and resolutions, consents and authorizations with respect to the execution and delivery of this Agreement and the transactions contemplated hereby and such other matters as the Buyer may reasonably request.

(d) The Company shall have received agreements, in form and substance reasonably satisfactory to the Buyer, each effective as of the Closing Date, relating to (i) the termination of the Management Agreement (the "Castle Harlan Management Agreement") dated December 2, 1993, between INDSPEC Chemical Corporation and Castle Harlan, Inc., providing for the termination of such agreement except for the continuation of the indemnification obligation of INDSPEC Chemical Corporation provided therein; (ii) the satisfaction and release of the March 7, 1995 engagement agreement between Castle Harlan, Inc. and the Company, provided that such release shall not apply to the indemnification and contribution provisions of such agreement; (iii) the satisfaction and release of the March 7, 1995 engagement agreement between Morgan Stanley Co., Incorporated and the Company, provided that such release shall not apply to the indemnification and contribution provisions of such agreement; (iv) the termination or amendment of the Stockholders Agreement as amended by Amendment No. 1 between INDSPEC Chemical Corporation and certain other parties named therein; (v) the designation of the Buyer as the Company's Designee under Section 3(c) of the Employee Stockholders Agreement between the INDSPEC Chemical Corporation and certain other parties named therein or the assignment of rights of first refusal thereunder; (vi) the termination of the Voting Trust Agreement, dated as of December 16, 1993 among John K. Castle and certain other parties named therein; and (vii) the termination of the Employee Voting Trust Agreement, dated April 15, 1994 among John K. Castle and certain other parties named therein.

(e) The Buyer shall have received (i) the signed opinion of William S. Lee, General Counsel of the Company, as to the matters set forth on Exhibit A hereto with appropriate qualifications and exceptions in form and substance reasonably satisfactory to the Buyer; (ii) the signed opinion of Eckert Seamans Cherin & Mellott, special counsel for the Company, as to the matters set forth on Exhibit B hereto with appropriate qualifications and exceptions in form and substance reasonably satisfactory to the Buyer; and (iii) the signed opinion of Schulte Roth & Zabel, special counsel to CHPII and Roundtable, in form and substance reasonably satisfactory to Buyer, covering such matters as are customarily addressed in similar opinions in comparable transactions, including (without limitation) organization, due authority, execution and delivery, conflicts, enforceability and governmental consents.

(f) The representations and warranties of all parties to the Merger Agreement and the Voting Agreement shall be true and correct in all material respects as of the date hereof and on and as of the Commencement Date, and all parties to the Merger Agreement and the Voting Agreement shall have performed or complied, in all material respects, with all covenants and agreements set forth therein.

(g) Either (i) holders of at least 90% of the outstanding shares of Company Common Stock shall have voted in favor of, or consented to, the Merger or (ii) holders of less than 10% of the outstanding shares of Company Common Stock shall be eligible for appraisal rights under the DGCL.

(h) The directors of the Company identified in Schedule 7.1(h) shall have submitted their resignations effective as of the Closing Date, as directors of the Company and the Subsidiaries.

(i) The average of the last sales price (regular way) of Buyer Common Stock on the New York Stock Exchange on each of the twenty (20) consecutive trading days ending on the fifth trading day prior to the Commencement Date shall be at least \$15, provided, that if the Buyer determines that, based on this condition, it will not proceed with the Exchange Offers, the Buyer shall notify the Company, who may elect, by determination of a majority of the directors elected by holders of the Class B Common Stock, to consummate the transactions contemplated hereby based on a deemed Buyer Common Stock Value of \$15, and in such event, this condition shall not apply for these purposes or for purposes of Annex B.

(j) The Buyer will not be required to consolidate in the Buyer's consolidated financial statements the results of operations of the Company or any of its Subsidiaries after giving effect to the Exchange.

(k) The Buyer shall have received the September 30 Financials from the Company.

(l) The transactions contemplated by the Management Agreement with Southern Ionics, Inc., dated April 1, 1995 shall have been consummated.

(m) The Buyer shall have received from the independent public accountants for the Company a letter, dated as of the date on which the Redemption Registration Statement shall have become effective, the Effective Date, the date on which the Exchange Registration Statement shall have become effective and the Commencement Date, addressed to the Buyer and its Board of Directors in form and substance satisfactory to the Buyer and reasonably customary in scope and substance for letters delivered by independent public accountants in connection with transactions such as those contemplated by this Agreement.

(n) There shall not be any ongoing Material Plant Loss; provided, however, that if this condition is not satisfied on the Closing Date, the Exchange Offers shall be extended until the tenth business day after satisfaction of this condition but in no event later than June 30, 1996.

(o) The Company's Incentive Stock Option Plans shall have been amended to provide that the Board of Directors of the Company shall be authorized, as of the Closing Date, to administer such Plan.

(p) The Certificates of Incorporation and By-Laws of the Subsidiaries shall have been amended, effective as of the Closing Date, to include provisions that are the same, or substantially the same, as the provisions in the Certificate of Incorporation and By-Laws of the Surviving Corporation, in the forms attached to the Merger Agreement, other than the provisions related to capitalization.

SECTION 7.2. Conditions Precedent of the Company to Consummate the Merger. The obligation of the Company to consummate the Merger is subject to the satisfaction, on or prior to the Effective Date, of the following conditions, any one or more of which may be waived by the Company in its sole discretion:

(a) The representations and warranties of the Buyer set forth in this Agreement shall have been accurate in all material respects when made, and with respect to the representations and warranties set forth in Sections 5.1 through 5.8 as of the Effective Date as though made on such date and the Buyer shall have complied with all agreements and satisfied all conditions set forth herein on their part to be performed or satisfied at or prior to the Effective Date.

(b) The Company shall have received on or prior to the Effective Date (i) a certificate, dated as of the Effective Date, from the Chairman, President and Chief Executive Officer or the Senior Operating Officer of Buyer, in such individual's capacity as an officer of the Buyer, and not as an individual, to the effect that each of the conditions set forth in this Section 7.2 has been satisfied, and (ii) a certificate, dated as of the Effective Date, from the Secretary or Assistant Secretary of the Buyer certifying as to the accuracy and completeness of the attached by-laws and resolutions, consents and authorizations with respect to the execution and delivery of this Agreement and the transactions contemplated hereby and such other matters as to the Company may reasonably request.

(c) Castle Harlan, Inc. shall have received the balance of the fee payable under the Castle Harlan Management Agreement through the last day of the month in which the Closing Date is scheduled to

occur; provided, however, that Castle Harlan, Inc. shall not be entitled to any such fee payable for the period January 1, 1996 through April 30, 1996.

(d) The Company shall have received the signed opinion of Robert E. Sawyer, Associate General Counsel of the Buyer, in substantially the form of Exhibit C hereto.

(e) The shares of Buyer Common Stock covered by the Exchange Offer Registration Statement, upon issuance and delivery thereof, shall be freely transferable by a Person that is not an affiliate of the Buyer without restrictions under any Federal or state securities laws.

(f) The shares of Buyer Common Stock covered by the Registration Statements shall have been approved for listing on the New York Stock Exchange subject to notice of issuance.

(g) The Company shall have received a letter, dated the Effective Date, from the Buyer, stating that it will commence the Exchange Offers one business day after the Effective Date.

SECTION 7.3. Mutual Conditions. The obligations of the Company to consummate the Merger and of the Buyer to commence the Exchange Offers are subject to the satisfaction, on or prior to the Effective Date, of all of the following further conditions, any one or more may be waived by the Buyer or the Company, in its sole discretion, but only if and to the extent that such waiver is mutual:

(a) All filings required to be made prior to the Effective Date with, and all consents, approvals, permits and authorizations (other than those which are immaterial) required to be obtained on or prior to the Effective Date from Governmental Authorities, in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated herein by the Buyer and the Company shall have been made or obtained, as the case may be; provided, however, that such consents, approvals, permits and authorizations may be subject to immaterial conditions.

(b) The Registration Statements shall be effective under the Securities Act. The Buyer Common Stock covered by the Registration Statements shall have been registered under any applicable state securities or blue sky laws and the rules and regulations thereunder. No order suspending the effectiveness of the Registration Statements or any post-effective amendments shall have been issued and no proceeding for the issuance of such an order shall have been initiated or threatened by the SEC or any "blue sky" or securities authority of any jurisdiction.

(c) The waiting period (and any extension thereof) applicable to the Exchange under the HSR Act shall have been terminated or shall have otherwise expired.

(d) No temporary restraining order, preliminary or permanent injunction or other order issued by any Governmental Authority preventing the Merger, the commencement of the Exchange or the consummation of the Closing shall be in effect and there shall not be pending or threatened any action, suit or proceeding that challenges the validity, legality or enforceability of this Agreement, the Merger Agreement, the Voting Agreement or the Enabling Agreement or the transactions contemplated hereby or thereby, unless such action, suit or proceeding could not reasonably be expected to have a Material Adverse Effect on the Company's or the Buyer's interests in such agreements or transactions. If either party invokes this condition, the party to which any such restraining order, injunction or other order applies or against which any material action, suit or proceeding has been filed, shall use its reasonable efforts to have any such order or injunction vacated and any such action, suit or proceeding dismissed.

(e) Each counsel required to render an opinion hereunder shall have been furnished with all such documents, certificates and opinions as such counsel may reasonably request for the purpose of enabling them to deliver such legal opinions and in order to evidence the accuracy and completeness of any of the representations and warranties or statements of the parties hereto or the fulfillment of any of the conditions contained herein.

(f) Each of the employees of the Company identified on Schedule 7.3(f) shall have executed and delivered to the Company an employment agreement or amendment to such employee's existing employment agreement substantially in the form of Exhibits D-1 through D-4.

(g) The Credit Agreement shall have been amended or the breach thereof waived, in either event so that the transactions contemplated hereby shall not constitute a default thereunder.

#### ARTICLE VIII.

##### TERMINATION OF AGREEMENT

SECTION 8.1. Termination. (a) This Agreement may be terminated on or prior to the Closing Date as follows:

(i) by mutual written consent of the Buyer and the Company; and

(ii) at the election of the Buyer or the Company, if the Effective Date shall not have occurred on or before March 31, 1996 or the Closing Date shall not have occurred on or before June 30, 1996, unless the failure to consummate the Merger or the Exchange Offers, as the case may be, is the result of a willful breach of this Agreement by the party seeking to terminate this Agreement.

(b) The termination of this Agreement shall be effectuated by the delivery by the party terminating this Agreement to the other party of a written notice of such termination. If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 8.2.

SECTION 8.2. Survival After Termination. If this Agreement is terminated in accordance with Section 8.1 hereof and the transactions contemplated hereby are not consummated, this Agreement shall become void and of no further force or effect, except for the provisions of Sections 6.3 and 6.6(b); and no party hereto shall have any liability in respect of a termination of this Agreement, except to the extent that failure to satisfy the conditions of Article VII results from the intentional or willful violation by such party of this Agreement or the provisions of any agreement made or to be made pursuant to this Agreement.

#### ARTICLE IX.

##### MISCELLANEOUS

SECTION 9.1. Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any certificate or instrument delivered pursuant to this Agreement (other than those representations and warranties affecting the Buyer Common Stock to be delivered in the Exchange Offers or pursuant to the terms of the Class B Common Stock) shall survive the Closing Date; provided, that the representations and warranties of the Company set forth in Sections 4.3(b), (c) and (d) and 4.5 shall survive until 60 days after the delivery to the Buyer of the audited financial statements for the Company for the fiscal year ending March 31, 1996; provided, further, that the Buyer shall not be precluded hereby from pursuing any claim against the Company for any breach of such representation or warranty of which the Buyer notifies the Company before the expiration of such sixty-day period. Any claim by the Buyer for any breach of this Agreement by the Company shall be recourse solely to the Company and not its stockholders, directors or officers. There shall be no reduction in the number of shares to be issued to any stockholder in the Merger, Exchange Offers or any of the transactions contemplated hereby based on any claim made by the Buyer based on an asserted breach of this Agreement, the Merger Agreement or the Enabling Agreement. This Section 9.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Closing Date.

SECTION 9.2. Law Governing. This Agreement shall be construed and interpreted according to the laws of the State of New York applicable to contracts made and to be performed wholly within such state without regard to principles of choice or conflicts of law.

SECTION 9.3. Binding Effect; Persons Benefiting; No Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and the respective successors and assigns of the parties and such persons. Nothing in this Agreement is intended or shall be construed to confer upon any entity or person other than the parties hereto and their respective successors and permitted assigns and, solely with respect to Article III, the stockholders of the Company, any right, remedy or claim under or by reason of this Agreement

or any part hereof. Without the prior written consent of the parties hereto, this Agreement may not be assigned by any of the parties hereto; provided, however, that the Buyer may assign its rights hereunder without being relieved of its obligations hereunder to any wholly owned subsidiary of the Buyer without the consent of the Company.

SECTION 9.4. Amendments. This Agreement may not be amended, altered or modified except by a written instrument executed by the Buyer and the Company.

SECTION 9.5. Interpretation. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or a Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

SECTION 9.6. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and each of which shall constitute one and the same instrument.

SECTION 9.7. Entire Agreement; Schedules. This Agreement, including the Schedules and Exhibits hereto and any documents executed by the parties concurrently herewith or pursuant thereto, and the Confidentiality Agreement, constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and supersede all other prior agreements and understandings, written or oral, between the parties with respect to such subject matter.

SECTION 9.8. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when sent by telecopier (with receipt confirmed), provided a copy is also sent by registered mail, return receipt requested, or (c) the day after the day sent by reputable next-day air courier, in each case, addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to Buyer:  
 Occidental Petroleum Corporation  
 10889 Wilshire Boulevard  
 Los Angeles, California 90024  
 Attention: Stephen I. Chazen  
 Telecopier: (310) 443-8690  
 with copies to:  
 Occidental Petroleum Corporation  
 10889 Wilshire Boulevard  
 Los Angeles, California 90024  
 Attention: Donald P. deBrier  
 General Counsel  
 Telecopier: (310) 443-6333

(b) If to the Company:  
 INDSPEC Holding Corporation  
 411 Seventh Avenue, Suite 300  
 Pittsburgh, Pennsylvania 15219  
 Attention: William S. Lee  
 Telecopier: (412) 765-0439  
 with copies to:  
 Schulte Roth & Zabel  
 900 Third Avenue  
 New York, New York 10022  
 Attention: Andre Weiss, Esq.  
 Telecopier: (212) 593-5955

SECTION 9.9. Public Announcements. At all times at or before the Closing, the Company and the Buyer will each consult with and provide an advance copy to the other before issuing or making any reports, statements, or releases to the public with respect to this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

OCCIDENTAL PETROLEUM CORPORATION

By: /s/ STEPHEN I. CHAZEN

-----  
Name: Stephen I. Chazen  
Title: Executive Vice President-  
Corporate Development

INDSPEC HOLDING CORPORATION

By: /s/ FRANK M. SPINOLA

-----  
Name: Frank M. Spinola  
Title: President

ANNEX A

Castle Harlan Partners II, L.P.....	26,792
Frank M. Spinola.....	1,920
Durmot Dunphy.....	556
John Herrmann.....	111
Richard Smith.....	61
Jeffrey Siegal.....	31
Howard Weiss.....	12
Justin Wender.....	7
Sylvia Rosen.....	6
	-----
Total.....	29,496
	=====

## ANNEX B

## CONDITIONS TO THE EXCHANGE

1. The conditions set forth in Sections 7.1 and 7.3 shall have been satisfied on or prior to the Closing Date, except that, for purposes of the conditions to consummation of the Exchange, each reference therein to the Commencement Date or the Effective Date shall be deemed to be a reference to the Closing Date.

2. The Buyer shall not be required to consummate the Exchange if during the period beginning on the first day of the Valuation Period and ending on the Closing Date there shall have occurred (i) an outbreak or escalation of hostilities involving the United States or (ii) any material adverse change in the financial markets of the United States, including any general suspension of trading on the New York Stock Exchange or any declaration of any banking moratorium by any of the federal, California or New York Government Authorities, the effect of either clause (i) or (ii) of which is to make it, in the reasonable good faith judgment of the Buyer, impracticable to determine the Buyer Common Stock Value on a fair basis because of general disruption of trading in equity securities listed on the New York Stock Exchange. In such event, the Valuation Period shall be suspended and shall recommence the day after such event ceases to have the effects described in the preceding sentence.



## VOTING AGREEMENT

VOTING AGREEMENT, dated as of November 10, 1995 (the "Agreement"), by and among INDSPEC Holding Corporation, a Delaware corporation (the "Company"), Roundtable Corp., a Delaware corporation ("Roundtable"), Castle Harlan Partners II, L.P., a Delaware limited partnership ("CHPII"), the other stockholders of Roundtable named on Exhibit A hereto (together with CHPII, the "Roundtable Group"), and the other parties named on the signature pages of this Agreement (the "Other Stockholders", and together with the members of the Roundtable Group and Roundtable, the "Stockholders").

WHEREAS, CHPII has organized Roundtable, a new corporation under Delaware law;

WHEREAS, each of the Stockholders, other than Roundtable, owns the number of shares of common stock, par value \$.01 per share of the Company ("Company Common Stock") set forth opposite such Stockholder's name on Schedule 1;

WHEREAS, concurrently herewith, the Company and Occidental Petroleum Corporation, a Delaware corporation (the "Buyer"), will execute and deliver an Agreement and Plan of Share Exchange, dated the date hereof (the "Exchange Agreement") and the Company and Roundtable will execute and deliver a Merger Agreement dated the date hereof (the "Merger Agreement"), pursuant to which, and subject to the terms and conditions thereof, Roundtable will be merged with and into the Company with the Company as the surviving corporation (the "Surviving Corporation"), the members of the Roundtable Group will receive the number of shares of Class B Common Stock, par value \$.01 per share, of the Company ("Class B Common Stock") equal to the number of shares of Common Stock of Roundtable, \$.01 par value per share ("Roundtable Common Stock") held by them, the other stockholders of the Company will receive an aggregate of the number of shares of Class A Common Stock, par value \$.01 per share of the Company ("Class A Common Stock", and together with the Class B Common Stock, the "New Company Common Stock"), equal to the number of shares of Company Common Stock held by such stockholders, and the outstanding Company Common Stock held by Roundtable will be cancelled (the "Merger") (capitalized terms that are not otherwise defined herein shall have the respective meanings set forth in the Exchange Agreement); and

WHEREAS, pursuant to the Exchange Agreement, and subject to the terms and conditions thereof, the Buyer shall offer to exchange (the "Exchange") certain shares of the New Company Common Stock to be outstanding upon consummation of the Merger for shares of common stock, par value \$.20 per share, of the Buyer ("Buyer Common Stock") pursuant to exchange offers (the "Exchange Offers");

NOW, THEREFORE, in consideration of and premised upon the various representations, warranties, covenants and other agreements and undertakings of the Company and the Stockholders contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Stockholders agree as follows:

## ARTICLE I

## PROXY OF THE STOCKHOLDERS

## SECTION 1.01. Voting Agreement.

(a) Each of the members of the Roundtable Group hereby agrees that they shall, as soon as practicable on or after the date hereof, execute a written consent with respect to all of the shares of Roundtable Common Stock held by them in favor of the adoption and approval of the Merger and the Merger Agreement.

(b) The Other Stockholders and Roundtable hereby agree that, during the time this Agreement is in effect, at any meeting of the stockholders of the Company, and in any action by consent of the stockholders of the Company, the Other Stockholders and Roundtable shall vote all of the shares of Company Common Stock

which they own or are otherwise entitled to vote in favor of any proposal for the adoption or approval of the Merger and the Merger Agreement.

(c) Each of the members of the Roundtable Group, Roundtable and the Other Stockholders agree that, during the time this Agreement is in effect, at any meeting of the stockholders of the Company, however called, and in any action by consent of the stockholders of the Company, the Stockholders shall vote all of the shares of the Company Common Stock and the New Company Common Stock (i) against any proposal relating to (A) the sale of the stock or assets of the Company or any of its Subsidiaries or any interest therein, (B) the merger, consolidation or other combination of the Company or any of its Subsidiaries with any person, or (C) the liquidation, dissolution or reorganization of the Company or any of its Subsidiaries, except as specifically contemplated by the Exchange Agreement; and (ii) as otherwise necessary or appropriate to enable the Company and Buyer to consummate the transactions contemplated by the Exchange Agreement. The Stockholders acknowledge receipt and review of a copy of the Exchange Agreement and Merger Agreement.

SECTION 1.02. Contribution to Roundtable. Each member of the Roundtable Group hereby agrees to contribute the shares of Company Common Stock set forth on Exhibit A opposite such member's name to Roundtable in exchange for an equal number of shares of Roundtable Common Stock.

SECTION 1.03. Exchange Offers. Each member of the Roundtable Group hereby agrees to tender (and not withdraw) its shares of Class B Common Stock to the Buyer and subject to termination or waiver of the Stockholders Agreement as amended by Amendment No. 1 between INDSPEC Chemical Corporation and certain other parties named therein (the "Stockholders Agreement"), the Other Stockholders hereby agree to tender (and not withdraw) their shares of Class A Common Stock to the Buyer, in the Exchange Offers pursuant to the terms provided for in the Exchange Agreement.

SECTION 1.04. Hart-Scott-Rodino. CHPII shall promptly make all filings required by it in connection with the Merger and Exchange Offers under the HSR Act.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

Each Stockholder hereby represents and warrants to Buyer as follows:

SECTION 2.01. Authority Relative to This Agreement. Such Stockholder has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by such Stockholder and, assuming this Agreement constitutes a valid and binding obligation of the other parties hereto, constitutes a legal, valid and binding obligation of such Stockholder, enforceable against such Stockholder in accordance with its terms, except to the extent that the enforceability thereof may be limited by: (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws from time to time in effect affecting generally the enforcement of creditors' rights and remedies; and (ii) general principles of equity, including, without limitation, principles of reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in equity or at law).

SECTION 2.02. No Conflict. (a) The execution and delivery of this Agreement by such Stockholder and performance of its obligations hereunder do not (i) conflict with or violate any laws applicable to such Stockholder or by which the shares of Roundtable Common Stock, Company Common Stock or New Company Common Stock of such Stockholder are bound or affected or (ii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the shares of Roundtable Common Stock, Company Common Stock or New Company Common Stock of such Stockholder pursuant to, any note, bond, mortgage, indenture, contract, lease, license, permit, franchise or other instrument or obligation to which such Stockholder is a party or by which such Stockholder or the shares of Roundtable Common Stock, Company Common Stock or New

Company Common Stock of such Stockholder are bound or affected, except under the Stockholders Agreement.

(b) The execution and delivery of this Agreement by such Stockholder does not, and the performance of this Agreement by such Stockholder will not, require any consent, authorization or approval or other action by, or notice to or filing with, any Governmental Authority or other person, except for applicable requirements, if any, of the Securities Exchange Act of 1934, as amended, or the HSR Act, and except under the Stockholders Agreement.

SECTION 2.03. Title to the Shares. As of the date hereof, each Stockholder is the record and beneficial owner of the number of shares of Company Common Stock and shares of Company Common Stock subject to Options set forth opposite such Stockholder's name on Schedule 1 hereto, and after giving effect to the Merger, as of the Closing Date, will be the record and beneficial owner of the number of shares of New Company Common Stock equal to the number of shares of Company Common Stock held by such Stockholder as of the date hereof. Such shares of Company Common Stock are all of such shares as are owned, either of record or beneficially, by such Stockholder. Such Stockholder owns all the shares of Company Common Stock and, after the Merger and immediately prior to the Closing Date, will own all of the shares of New Company Common Stock set forth opposite such Stockholder's name on Schedule 1 hereto free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, contracts, limitations on such Stockholder's voting rights, charges and other encumbrances of any nature whatsoever. Other than pursuant to the irrevocable proxy granted to John K. Castle, dated the date hereof and the Voting Trust Agreement, dated as of December 16, 1993, by and among John K. Castle and the Stockholders named therein, and except as provided in this Agreement, such Stockholder has not appointed or granted (and will not, after the date hereof, appoint or grant) any proxy, which appointment or grant is still effective, with respect to the shares set forth opposite such Stockholder's name on Schedule 1 hereto.

SECTION 2.04. Formation of Roundtable. CHPII represents that Roundtable has been duly incorporated and is validly existing and in good standing under the laws of Delaware and the authorized capital stock of Roundtable consists of 35,000 shares of Roundtable Common Stock, 29,496 shares of which have been issued to members of the Roundtable Group as set forth on Exhibit A. CHPII represents that Roundtable has engaged in no business prior to the Merger and has been formed solely for the purpose of engaging in the Merger. CHPII represents that Roundtable has no assets (other than the amounts used to capitalize Roundtable), liabilities, rights or obligations except pursuant to the Merger Agreement. CHPII represents that Roundtable is not a party to any agreement other than the Merger Agreement and this Agreement.

### ARTICLE III

#### COVENANTS OF THE STOCKHOLDERS AND ROUNDTABLE

SECTION 3.01. No Disposition or Encumbrance of Shares. Each Stockholder hereby covenants and agrees that, except as contemplated by this Agreement, such Stockholder shall not, and shall not offer or agree to, sell, transfer, tender, assign, hypothecate or otherwise dispose of, grant a proxy (other than the irrevocable proxy granted to John K. Castle, dated the date hereof) or power of attorney with respect to, create or permit to exist any security interest, lien, claim, pledge, option, right of first refusal, contract, limitation on such Stockholder's voting rights, charge or other encumbrance of any nature whatsoever with respect to, such Stockholder's shares of Roundtable Common Stock, Company Common Stock or New Company Common Stock or directly or indirectly, initiate, solicit or encourage any person to take actions which could reasonably be expected to lead to the occurrence of any of the foregoing; provided, however, that this Section 3.01 shall not prevent the transfer of Roundtable Common Stock, Company Common Stock or New Company Common Stock by reason of law, or to a personal representative of a Stockholder or to one or more members of any Stockholder's family or to trusts, partnerships or similar entities for their benefit, provided, further, however, that such transferee(s) shall take such Roundtable Common Stock, Company Common Stock or New Company Common Stock subject to and be fully bound by this Agreement with the same effect as if he, she or it were a party hereto. As used herein, the term "personal representative" shall mean the executor or

executors of the will or administrator or administrators of the estate, the heirs, legatees or other beneficiaries thereunder and all other legal representatives (by operation of law or otherwise) of a Stockholder.

SECTION 3.02. Limitation on Transactions in Buyer Common Stock. Each of the Stockholders agrees that, (i) during the period beginning on the date hereof and ending on the Closing Date, and (ii) as long as such Stockholder owns any shares of New Company Common Stock, for the thirty (30) day period preceding any Option Closing Date (as such term is defined in the Surviving Corporation's certificate of incorporation), such Stockholder shall not and shall not permit any affiliate, representative, agent or other person or entity acting on its behalf, directly or indirectly, to (x) sell, offer to sell or commence any sale, solicitation, marketing or other efforts to facilitate the disposition of any shares of Buyer Common Stock, or (y) sell short or enter into any put equivalent position with respect to any shares of Buyer Common Stock.

SECTION 3.03. No Negotiations. The Stockholders shall not, and shall not permit any of their Subsidiaries, affiliates, representatives, agents or any other Person acting for or on behalf of any of them to, solicit, entertain offers from, negotiate with, or in any manner discuss, encourage, recommend or agree to any proposal relating to (a) the sale of the stock or assets of Roundtable, the Company, the Surviving Corporation or any of their Subsidiaries or any interest therein, (b) the merger, consolidation or other combination of Roundtable, the Company, the Surviving Corporation or any of their Subsidiaries with any Person, or (c) the liquidation, dissolution or reorganization of Roundtable, the Company, the Surviving Corporation or any of their Subsidiaries, except as specifically contemplated by the Exchange Agreement and the Merger Agreement. Without limiting the generality of the foregoing, the Stockholders shall not, and shall not permit any of their Subsidiaries, affiliates, representatives, agents or any other Person acting for or on behalf of any of them to, furnish or cause to be furnished any information with respect to Roundtable, the Company, the Surviving Corporation or any of their Subsidiaries to any Person (other than the Buyer and its employees and agents). If any of the Stockholders or any of their Subsidiaries, affiliates, representatives, agents or any other Person acting for or on behalf of any of them receives from any Person any offer, proposal or informational request that may be subject to this Section, the Stockholders shall promptly advise such Person, by written notice, of the terms of this Section and shall promptly deliver a copy of such notice to the Buyer. Nothing herein shall, to the extent not prohibited by the Exchange Agreement, prohibit any Stockholder who is an officer of the Company from acting in his capacity as such, or who is a director of the Company from participating in meetings of the Board or Committees thereof.

#### ARTICLE IV

#### MISCELLANEOUS

SECTION 4.01. Termination. This Agreement shall remain in effect until the first to occur of (i) the Closing Date or (ii) the termination of the Exchange Agreement; provided, however, that the provisions set forth in Sections 3.02, 4.02 and 4.03 shall survive the Closing.

SECTION 4.02. Further Assurances. The Stockholders and the Company will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby, including without limitation, the transactions contemplated by the Exchange Agreement.

SECTION 4.03. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

SECTION 4.04. Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Stockholders with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the Company and the Stockholders with respect to the subject matter hereof.

SECTION 4.05. Amendment. This Agreement may not be amended, altered or modified except by a written instrument executed by the parties hereto.

SECTION 4.06. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

SECTION 4.07. Governing Law. This Agreement shall be construed and interpreted according to the laws of the State of New York applicable to contracts made and to be performed wholly within such state.

SECTION 4.08. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and each of which shall constitute one and the same instrument.

SECTION 4.09. Third Party Beneficiary. The Buyer shall be an intended third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly in a court of law or equity or both to protect its rights hereunder. Without limiting the generality of the foregoing, it is the intention of the parties hereto that this Agreement is made for the benefit of the Buyer and to induce the Buyer to commence the Exchange Offers and the other transactions contemplated by the Exchange Agreement.

IN WITNESS WHEREOF, each Stockholder has duly executed this Agreement.

/s/ JEFFREY M. SIEGAL

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Jeffrey M. Siegal

/s/ HOWARD WEISS

-----

Howard Weiss

/s/ SYLVIA ROSEN

-----

Sylvia Rosen

/s/ JUSTIN WENDER

-----

Justin Wender

/s/ T. J. DERMOT DUNPHY

-----

T. J. Dermot Dunphy

/s/ RICHARD Y. SMITH

-----

Richard Y. Smith

/s/ JOHN A. HERRMANN, JR.

-----

John A. Herrmann, Jr.

/s/ WILLIAM S. LEE

-----  
William S. Lee

/s/ FRANK M. SPINOLA

-----  
Frank M. Spinola

/s/ ERNIE L. DANNER

-----  
Ernie L. Danner

CASTLE HARLAN PARTNERS II, L.P.

By: Castle Harlan, Inc.  
as Investment Manager

By: /s/ JEFFREY M. SIEGAL

-----  
Name: Jeffrey M. Siegal  
Title: Managing Director

ROUNDTABLE CORP.

By: /s/ JEFFREY M. SIEGAL

-----  
Name: Jeffrey M. Siegal  
Title: President

Agreed and accepted  
as of November 10, 1995

INDSPEC HOLDING CORPORATION

By: /s/ FRANK M. SPINOLA

-----  
Name: Frank M. Spinola  
Title: President

## SCHEDULE 1

STOCKHOLDER -----	TOTAL SHARES OF COMPANY COMMON STOCK OWNED (INCLUDING SHARES UNDERLYING OPTIONS)	SHARES UNDERLYING OPTIONS (VESTED AND UNVESTED)	TOTAL SHARES OF COMPANY COMMON STOCK OWNED (EXCLUDING SHARES UNDERLYING OPTIONS)
-----	-----	-----	-----
Castle Harlan Partners II, L.P.....	26,792	--	26,792
Frank Spinola.....	5,673	3,273	2,400
Ernie L. Danner.....	2,727	1,591	1,136
William S. Lee.....	2,102	1,352	750
Durmot Dunphy.....	556	--	556
John Herrmann.....	111	--	111
Richard Smith.....	111	--	111
Jeffrey Siegal.....	56	--	56
Howard Weiss.....	22	--	22
Justin Wender.....	7	--	7
Sylvia Rosen.....	11	--	11

## EXHIBIT A

ROUNDTABLE GROUP -----	SHARES OF COMPANY COMMON STOCK TO BE EXCHANGED FOR EQUAL NUMBER OF SHARES OF ROUNDTABLE COMMON STOCK -----
Castle Harlan Partners II, L.P.....	26,792
Frank M. Spinola.....	1,920
Durmot Dunphy.....	556
John Herrmann.....	111
Richard Smith.....	61
Jeffrey Siegal.....	31
Howard Weiss.....	12
Justin Wender.....	7
Sylvia Rosen.....	6
	-----
Total.....	29,496 =====



## ENABLING AGREEMENT

This ENABLING AGREEMENT (this "Agreement") is made and entered into as of November 10, 1995 by and between INDSPEC Holding Corporation, a Delaware corporation (the "Company"), and Occidental Petroleum Corporation, a Delaware corporation ("Occidental").

## RECITALS

WHEREAS, pursuant to an Agreement and Plan of Share Exchange, dated as of the date hereof (the "Exchange Agreement"), by and between Occidental and the Company, Occidental has agreed, subject to the terms and conditions set forth in the Exchange Agreement, to make offers (the "Exchange Offers") to exchange shares of Class A Common Stock, par value \$.01 per share (the "Class A Common Stock"), and Class B Common Stock, par value \$.01 per share (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock"), of the Company for shares of Common Stock, par value \$.20 per share (the "Occidental Common Stock"), of Occidental;

WHEREAS, pursuant to the Exchange Agreement, Occidental has agreed to provide the Company and stockholders of the Company with certain rights and privileges pursuant to this Agreement; and

WHEREAS, as a condition to the commencement of the Exchange Offers, the Company has agreed to provide Occidental with certain rights and privileges pursuant to this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

## AGREEMENT

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Certificate of Incorporation attached as Exhibit A to the Merger Agreement (as defined in the Exchange Agreement) (the "Certificate of Incorporation"). For purposes of this Agreement, the following terms shall have the following meanings:

"Change of Control Obligations" shall mean any and all obligations of the Company to make payments in respect of notes tendered to the Company pursuant to a Change of Control Offer.

"Change of Control Offer" shall have the meaning set forth in the Indenture.

"Company Common Stock" shall have the meaning set forth in the Exchange Agreement.

"Credit Agreement" shall have the meaning set forth in the Exchange Agreement.

"Dissenters' Rights Obligations" shall mean any and all obligations of the Company to make payments required by law to satisfy claims of stockholders who have the right to appraisal of and payment for their shares of Company Common Stock pursuant to Section 262 of the Delaware General Corporation Law as a result of the Merger.

"Expenditure Amount" means, as of the date of any balance sheet, (i) the aggregate amount of expected expenditures (excluding salaries, wages, employee benefits, utilities, and recurring repairs and maintenance to equipment caused by ordinary wear and tear, and any other similar allocation of overhead) required in order for the Company to take the actions specified in the Review Results (as defined in Section 8 hereof) less (ii) the aggregate amount of claims for indemnification, contribution or other recovery against third parties to the extent such recovery could be reflected on the Company's balance sheet as an asset in accordance with GAAP.

"Funding Obligations" shall mean the Dissenters' Rights Obligations and the Change of Control Obligations.

"Indenture" shall have the meaning set forth in the Exchange Agreement.

"Merger" shall have the meaning set forth in the Exchange Agreement.

"Options" shall have the meaning set forth in the Exchange Agreement.

"Put Commencement Date" means the date of the Put Notice.

"Put Equity Value" means an amount equal to (i) the EBITDA Multiple multiplied by the LTM Operating EBITDA, minus (ii) Net Debt plus Other Liabilities, in each case, (x) calculated as of the last day of the fiscal month immediately preceding the fiscal month in which the Put Exchange Date occurs or (y) if the Put Offer Registration Statement has not been declared effective within 120 days after the Trigger Date, and such amount would be greater, calculated as of the last day of the fiscal month in which the Trigger Date occurs.

"Put Offer Debt Target" means \$80 million, or such greater amount as may be determined, from time to time after the Closing Date, by the Board of Directors as it deems appropriate, in its sole discretion, in connection with Debt incurred (or the repayment of which is deferred) to finance capital expenditures that have been identified as extraordinary by the Board of Directors in its sole discretion.

"Put Offer Ratio" means (i) the Put Equity Value divided by the aggregate number of shares of Common Stock outstanding on the Put Exchange Date, determined on a Fully Diluted Basis, divided by (ii) the Market Price of a share of Occidental Common Stock on the fifth Trading Day next preceding the Put Exchange Date.

"Trigger Date" means the date that is the later of (i) the third anniversary of the Closing Date and (ii) the date on which Occidental receives the Debt Notice (as defined below).

## 2. Obligation to Effect Put Offer.

(a) Promptly, but in any event within five (5) Business Days after the date on which Net Debt is less than the Put Offer Debt Target, the Company shall give written notice (the "Debt Notice") thereof to Occidental, specifying the amount of Net Debt. As soon as practicable after the Trigger Date, Occidental shall (x) use commercially reasonable efforts to prepare and file a registration statement (the "Put Offer Registration Statement") under the Securities Act relating to the Put Offer, and (y) use commercially reasonable efforts to cause the Put Offer Registration Statement to become effective as soon as practicable after its filing; provided, however, that Occidental may delay the filing or effectiveness of the Put Offer Registration Statement for a valid business purpose, as determined by Occidental, in its sole and absolute discretion, but which may include any substantially concurrent public or private offering of equity securities or any other transaction that might be adversely affected by the filing or effectiveness of the Put Offer Registration Statement.

(b) As soon as practicable after the Put Offer Registration Statement has been declared effective, Occidental shall make an offer (the "Put Offer") to the holders of shares of Class A Common Stock to exchange all or a portion of such shares for that number of fully paid and nonassessable shares of Occidental Common Stock equal to (i) the number of shares of Class A Common Stock so exchanged, multiplied by (ii) the Put Offer Ratio. Notwithstanding any provision hereof, the Put Offer shall be made in compliance with all applicable laws, including without limitation, all applicable Federal and state securities laws.

(c) The Put Offer shall be commenced by mailing to each record holder of shares of Class A Common Stock a notice (the "Put Notice"), which shall govern the terms of the Put Offer. The Put Notice shall include or be accompanied by all information required by law and shall specify:

(i) the instructions that holders of shares of Class A Common Stock must follow in order to exchange such shares;

(ii) the method of calculating the Put Offer Ratio;

(iii) the exchange date (the "Put Exchange Date"), which shall be a Business Day no later than 40 days from the date the Put Notice is mailed;

(iv) that any holder of shares of Class A Common Stock electing to exchange such shares pursuant to the Put Offer shall be required to surrender the certificate or certificates evidencing such shares to the exchange agent specified in the Put Notice (the "Exchange Agent"), which certificate or certificates shall be duly endorsed, or accompanied by proper instruments of transfer and, if required pursuant to this Section, an amount sufficient to pay any transfer or similar tax (or evidence demonstrating that such taxes have been paid); and

(v) whether or not Occidental intends to cause the Company to effect the Second Call Option if a sufficient number of shares of Class A Common Stock are tendered pursuant to the Put Offer.

(d) On or prior to the fifth Business Day following the Put Exchange Date, Occidental shall cause the Exchange Agent to deliver at the offices of the Company or to mail to the holders at the addresses specified by each holder of Class A Common Stock so exchanged a certificate or certificates evidencing the number of full shares of Occidental Common Stock to which such person shall be entitled, together with a cash payment in respect of any fraction of a share, as hereinafter provided.

(e) The Company shall enter into such agreements and take all such other actions (including those reasonably requested by Occidental) necessary or desirable to expedite or facilitate the Put Offer. Without limiting the foregoing, the Company shall provide to Occidental on a timely basis all information (financial and otherwise) necessary or desirable to be included in or to accompany the Put Notice and, if requested by Occidental, (i) make customary representations and warranties with respect to the information relating to the Company and its Subsidiaries provided to Occidental for use in the Put Offer Registration Statement, the prospectus included therein and documents, if any, incorporated or deemed to be incorporated by reference therein, and confirm the same if and when reasonably requested; (ii) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to Occidental); (iii) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (which letters and updates (in form, scope and substance) shall be reasonably satisfactory to Occidental); and (iv) deliver such other documents and certificates as may be reasonably requested by Occidental.

(f) If Occidental gives notice pursuant to Section 4 hereof requiring the Company to effect the Second Call Option in accordance with the Certificate of Incorporation, Occidental may terminate the Put Offer.

(g) No fractional shares or scrip representing fractional shares of Occidental Common Stock shall be issued upon exchange of Class A Common Stock pursuant to the Put Offer. The number of full shares of Occidental Common Stock issuable upon exchange of shares of Class A Common Stock shall be computed on the basis of the aggregate number of shares of Class A Common Stock so surrendered by each record holder thereof. In lieu of any fractional share of Occidental Common Stock that would otherwise be issuable upon exchange of any shares of Class A Common Stock, the holder thereof shall be entitled to a cash adjustment in respect of such fractional share in an amount equal to the same fraction of the Market Price of a share of Occidental Common Stock on the fifth Trading Day immediately preceding the Put Exchange Date, calculated to the nearest cent, with one-half cent rounded upward, and the number of full shares of Occidental Common Stock issuable upon exchange thereof shall be decreased to the next lowest number of whole shares.

(h) Occidental shall not be required to pay any tax that may be payable in respect of any issuance or delivery of shares of Occidental Common Stock pursuant to the Put Offer, and no such issuance or delivery shall be made unless and until the holder of shares of Class A Common Stock being exchanged has paid the amount of any such tax or has established, to the satisfaction of Occidental, that such tax has been paid.

3. Obligation to Sell Occidental Common Stock. If the Company exercises the First Call Option or the Second Call Option, Occidental shall sell to the Company, on or prior to the First Call Closing Date or the Second Call Closing Date, as the case may be, such number of validly issued, fully paid and non-assessable shares of Occidental Common Stock as the Company shall be obligated to deliver to holders of Class A Common Stock in satisfaction of its redemption obligations thereunder. The purchase price for each share of Occidental Common Stock shall be the Market Price thereof that was used to determine the First Call Ratio

or the Second Call Ratio, as applicable, and shall be payable in cash or a mutually satisfactory promissory note.

4. Right to Require Redemption. Upon receipt by the Company of a written notice from Occidental to such effect, the Company shall effect promptly the First Call Option or the Second Call Option, as the case may be, and shall promptly take all actions that Occidental may request that are necessary or desirable therefor. In its notice with respect to the First Call Option, Occidental shall indicate the First Call Closing Date, which shall be a date not less than 45 days after the date of such notice.

5. Tag-Along Rights.

(a) Occidental shall not, and shall not permit any of its affiliates subject to its control (collectively with Occidental, the "Selling Group"), to sell, directly or indirectly, any shares of Common Stock (any such sale, a "Tag-Along Sale"), unless adequate provision is made in connection therewith so that all holders of Class A Common Stock (each, an "Other Stockholder") have the right, but not the obligation, to participate in such sale, on substantially the same terms and conditions thereof, by selling the number of shares of Class A Common Stock respectively owned by them, to be calculated in the following manner. The aggregate number of shares of Common Stock that each Other Stockholder shall be entitled to include in such Tag-Along Sale (such Other Stockholder's "Allotment") shall equal the product of (i) the number of shares that such Other Stockholder elects to include in such Tag-Along Sale (which may include the aggregate number of shares of Class A Common Stock that such Other Stockholder owns, has the immediate right to acquire or will have the right to acquire after giving effect to the Tag-Along Sale), multiplied by (ii) a fraction, the numerator of which shall equal the total number of shares of Common Stock proposed to be sold pursuant to the Tag-Along Sale and the denominator of which shall equal the sum of the number of shares of Common Stock held by the Selling Group and the number of shares of Common Stock held by the Other Stockholders that have elected to participate in the Tag-Along Sale.

(b) The foregoing notwithstanding, this Section shall not apply to any sale of Common Stock (i) solely among members of the Selling Group, (ii) to the public pursuant to an effective registration statement under the Securities Act or (iii) that has been approved by the affirmative vote of the greater of (A) five members of the Company's Board of Directors or (B) a majority of the directors of the Company then in office.

(c) The Selling Group members participating in a Tag-Along Sale (or Occidental on behalf of such Selling Group members) shall promptly provide each Other Stockholder with written notice (the "Sale Notice") not more than 60 nor less than 30 days prior to the proposed date of the consummation of the Tag-Along Sale (the "Sale Date"). In order to facilitate the prompt delivery of the Sale Notice, the Company hereby covenants to provide the Selling Group members participating in a Tag-Along Sale or Occidental, as the case may be, access to the stock record books of the Company. Each Sale Notice shall set forth: (i) the name and address of each proposed purchaser of shares of Common Stock in the Tag-Along Sale; (ii) the number of shares proposed to be sold pursuant to the Tag-Along Sale; (iii) the proposed amount and form of consideration to be paid for such shares and the terms and conditions of payment offered by each proposed purchaser; (iv) the aggregate number of shares of Class A Common Stock outstanding on the date (the "Notice Date") of the Sale Notice that are held of record by such Other Stockholder; (v) the aggregate number of shares of Common Stock outstanding on the Notice Date; (vi) such Other Stockholder's Allotment (assuming that all Other Stockholders elect to include all of their shares of Common Stock in the Tag-Along Sale); (vii) the Sale Date; and (viii) the manner in which such Other Stockholder may participate in the Tag-Along Sale, including a form of the written notice (the "Tag-Along Notice") that such Other Stockholder will be required to deliver to Occidental.

Each Other Stockholder that wishes to participate in the Tag-Along Sale shall complete, sign and deliver to Occidental a Tag-Along Notice no less than 15 days prior to the Sale Date. The Tag-Along Notice shall set forth, among other things, the number of shares of Common Stock that such Other Stockholder elects to include in the Tag-Along Sale, which shall not exceed the aggregate number of shares that such Other Stockholder owns, has the immediate right to acquire or will have the right to acquire after giving effect to the Tag-Along Sale. The Tag-Along Notices given by the Other Stockholders shall constitute their binding agreements to sell such shares on the terms and conditions applicable to such sale, as provided herein. The

participating members of the Selling Group shall determine the aggregate number of shares to be sold by each participating Other Stockholder in any given Tag-Along Sale in accordance with the terms hereof.

If a Tag-Along Notice is not received by Occidental from an Other Stockholder 15 days prior to the Sale Date, the Selling Group members shall have the right to sell to the proposed purchaser or transferee, without any participation by such Other Stockholders, the number of shares of Common Stock specified in the Sale Notice, but only on terms and conditions not materially more favorable to the Selling Group members than those stated in such Sale Notice and only if such sale occurs on a date within 60 business days of the Sale Date.

(d) The provisions of this Section shall terminate on the earlier of (i) the consummation of any of the Exchange Options or (ii) the date (the "Publicly Held Date") on which the market value of outstanding shares of Common Stock, or any capital stock of the Company issued to holders of shares of Common Stock (whether or not in their capacity as holders of shares of Common Stock and whether in connection with a stock split, stock dividend, reorganization or otherwise), that have been effectively registered under the Act and disposed of in accordance with a registration statement or statements under the Act covering such shares equals or exceeds \$50 million. For purposes of the preceding sentence, "market value" shall be determined by multiplying the Market Price of such shares by the aggregate number of such shares.

## 6. Financial Information.

(a) Annual Financial Statements. The Company shall deliver to Occidental, as soon as available, but not later than ninety (90) days after the end of each fiscal year, (i) a copy of the audited consolidated balance sheet of the Company and its subsidiaries as of the end of such year and the related consolidated statements of operations, stockholders' equity (where applicable) and cash flows for such fiscal year, setting forth, in each case, in comparative form, the figures for the previous year, accompanied by the opinion of a nationally-recognized independent public accounting firm stating that such consolidated financial statements present fairly the financial position of the Company and its subsidiaries for the periods indicated, in conformity with GAAP, applied on a basis consistent with prior years and (ii) a certificate signed by the Chief Financial Officer of the Company, setting forth in reasonable detail the Company's determination of the LTM Operating EBITDA, Net Debt and Other Liabilities, in each case, calculated as of the last day of such fiscal year.

(b) Quarterly Financial Statements. The Company shall deliver to Occidental, as soon as available, but not later than forty-five (45) days after the end of each of the first three (3) fiscal quarters of each year, (i) a copy of the unaudited consolidated balance sheet of the Company and its subsidiaries as of the end of such quarter and the related consolidated statements of operations, stockholders' equity (where applicable) and cash flows for the period commencing on the first day and ending on the last day of such quarter, accompanied by a certificate signed by the Chief Financial Officer of the Company, stating that such financial statements are complete and correct to the best of his knowledge after reasonable investigation and present fairly the financial position of the Company and its subsidiaries for the periods indicated, in conformity with GAAP for interim financial statements, applied on a basis consistent with prior quarters and (ii) a certificate signed by the Chief Financial Officer of the Company, setting forth in reasonable detail the Company's determination of the LTM Operating EBITDA, Net Debt and Other Liabilities, in each case, calculated as of the last day of such fiscal quarter.

(c) Monthly Financial Information. The Company shall deliver to Occidental, as soon as available, but not later than fifteen (15) days after the end of each fiscal month, (i) a copy of the unaudited consolidated balance sheet of the Company and its subsidiaries as of the end of such month and the related consolidated statements of operations, stockholders' equity (where applicable) and cash flows for the period commencing on the first day and ending on the last day of such month, accompanied by a certificate signed by the Chief Financial Officer of the Company, certifying that the information contained therein, subject to audit, is complete and correct to the best of his knowledge after reasonable investigation and (ii) a schedule setting forth the Company's determination of the LTM Operating EBITDA, Net Debt and Other Liabilities, in each case, calculated as of the last day of such fiscal month.

(d) Company Plans and Projections. The Company shall deliver to Occidental, not less than fortyfive (45) days after the beginning of each fiscal year, copies of (i) the Company's business plan for the upcoming fiscal year, including an annual operating budget and capital expenditure budget and projections; (ii) the Company's financial projections for the upcoming fiscal year, as prepared by the Company's Chief Financial Officer; and (iii) a year-end budget reconciliation reconciling the actual operating results and financial performance of the Company over the past fiscal year with the budgets and projections previously provided by the Company to Occidental for such period, together with textual comments explaining any material discrepancies between the figures.

(e) Periodic Reports and Filings; Press Releases. The Company shall deliver to Occidental, promptly after the same are sent or released, copies of all reports, notices, proxy statements and financial statements which the Company sends to any Other Stockholders and copies of all press releases made by the Company or any of its subsidiaries, promptly after the same are filed, copies of all financial statements and regular, periodical or special reports which the Company or any of its subsidiaries may make to, or file with, the Securities and Exchange Commission or any successor or similar governmental authority.

(f) Accountants' Reports. The Company shall deliver to Occidental, promptly after the same are received, copies of all reports relating to the Company which the independent certified public accountants of the Company deliver to the Company or any of its subsidiaries.

(g) Exchange Option Information. The Company shall deliver to Occidental, as soon as available, but not later than thirty (30) days after the date as of which the Put Equity Value, the First Call Equity Value or the Second Call Equity Value, as the case may be, is determined, a copy of the audited consolidated balance sheet of the Company and its subsidiaries and the related consolidated statements of operations, stockholders' equity (where applicable) and cash flows for the twelve month period ending on the date that the Put Equity Value, the First Call Equity Value or the Second Call Equity Value, as the case may be, is determined, setting forth, in each case, as separate line items, LTM Operating EBITDA, Net Debt, Other Liabilities, bonuses to officers and New Plant Capital Expenditures, accompanied by the opinion of a nationally-recognized independent public accounting firm stating that such consolidated financial statements present fairly the financial position of the Company and its subsidiaries for the periods indicated, in conformity with GAAP, applied on a basis consistent with prior years. The Company shall provide Occidental with an opportunity to review all work papers prepared or used in connection with the preparation of such financial statements.

(h) Other Information. The Company shall deliver to Occidental, promptly, such additional financial and other information as Occidental may from time to time reasonably request.

(i) Full Disclosure. The Company shall ensure that all written information and reports furnished to Occidental by the Company or any of its subsidiaries do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and will promptly disclose to Occidental and correct any defect or error that may be discovered therein.

(j) Trade Secrets. Notwithstanding the foregoing provisions of this Section 6, the Company shall not be obligated to disclose to Occidental any trade secrets or information relating to a particular line of business of the Company or any of its subsidiaries that, if disclosed to Occidental, could adversely affect the Company as a result of Occidental's competition with the Company in such line of business.

7. Access to Books and Records; Inspection of Property. The Company shall maintain, and shall cause each of its subsidiaries to maintain, proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the business of the Company and its subsidiaries. The Company shall permit, and shall cause each of its subsidiaries to permit, Occidental and its financial advisors, legal counsel, accountants, consultants and other representatives to visit and inspect any of their properties, to conduct audits of the Company's books and records, to examine their corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their affairs, finances and accounts with their directors, officers and independent public accountants at any time during normal business hours and as often as may be reasonably desired. The

Company authorizes Occidental and its financial advisors, legal counsel, accountants, consultants and other representatives to communicate directly with the Company's independent accountants and authorizes such accountants to disclose to such Persons any and all financial statements and other information of any kind, including the substance of any oral information or conversation that such accountants may have with respect to the business, financial condition and other affairs of the Company and its subsidiaries.

#### 8. Environmental Compliance.

(a) Not later than the date (the "Compliance Date") that is 30 months after the Closing Date, the Company shall complete the tasks set forth on Schedule A hereto.

(b) At any time, or from time to time, on or after the first anniversary of the Closing Date, Occidental may perform a review and audit of the Company's properties and facilities in order to determine (i) the Company's compliance with all Environmental Laws (as defined in the Exchange Agreement) and (ii) whether or not the tasks set forth on Schedule A have been completed. The Company shall provide Occidental and its representatives with access to the Company's properties and facilities and its books and records in order to permit Occidental to complete such review and audit. Occidental agrees that its investigations shall not include sampling of soil or ground water except (x) as consistent with remedial work undertaken by the Company or (y) as may be required to confirm information indicating that there has been a release of materials on or from the Company's properties or facilities on or after December 16, 1988 which was not disclosed, or the extent of which was not substantially disclosed, to Occidental as of the date of the Exchange Agreement. Occidental shall deliver the results of its review (the "Review Results") to the Company (the date of such delivery being the "Initial Determination Date"). If Occidental determines that additional actions are required in order for the Company to comply with Environmental Laws or complete the tasks set forth on Schedule A, to the extent that the Company does not dispute the determinations set forth in the Review Results, the Company shall promptly take all such required actions, including, where appropriate, approving detailed action plans consistent with the Company's procedures for approving the expenditure of money on a project, and shall reserve or increase reserves to the extent necessary to reflect on all balance sheets prepared as of any date subsequent to the Initial Determination Date, the Expenditure Amount. In preparing any income statement after the Initial Determination Date, the Company's operating income will not be reduced by the amount of such expenditures.

(c) If the Company disputes the Review Results, the Company may, within 30 days of the Initial Determination Date, notify Occidental of its specific objection, the basis therefor, and the name of an independent environmental consultant (the "Company Consultant") that the Company has retained to review Occidental's Review Results. The Company shall cause the Company Consultant to deliver its report (the "Company Consultant's Report") to Occidental and the Company within 60 days after the Initial Determination Date. If the Company Consultant concurs with any part of the Review Results, the Company shall promptly take all actions specified in the Review Results with respect to which the Company Consultant concurs, and shall reserve or otherwise reflect on all balance sheets prepared as of any date subsequent to the date of delivery of the Company Consultant's Report, the Expenditure Amounts with respect to which the Company Consultant concurs. If the Company Consultant disputes any part of the Review Results, the Company and Occidental shall, within 60 days after the Initial Determination Date, mutually agree on an independent environmental consultant (the "Mediation Consultant") to be retained jointly by Occidental and the Company (and whose fees and expenses shall be paid equally by Occidental and the Company). In the event the parties cannot agree to a Mediation Consultant, each party shall, no later than 75 days after the Initial Determination Date, select a reputable environmental consulting firm, and such firms shall, acting in good faith, no later than 90 days after the Initial Determination Date, select a Mediation Consultant. Such Mediation Consultant shall be retained and paid as provided in the previous sentence. Within 90 days (or 120 days if the parties must select environmental consultants to choose a mediation consultant) after the Initial Determination Date, the Mediation Consultant shall review those aspects of the Review Results and the Company Consultant's Report that are in dispute and deliver to Occidental and the Company its report (the "Mediation Consultant's Report") as to which determinations are correct. The Mediation Consultant may determine that the Company Consultant's Report is correct in certain respects and that the Review Results are correct in certain respects; provided, however, that the Mediation Consultant shall not be

authorized to make any decision, and shall be instructed not to offer any opinion relating to the timing or scheduling of any corrective actions required by the Review Results or by Occidental in connection with the Review Results. The determinations set forth in the Mediation Consultant's Report shall be final and binding on Occidental and the Company. After the delivery of the Mediation Consultant's Report, the Company shall promptly take all actions as may be required in accordance with the Mediation Consultant's Report and shall reserve or otherwise reflect on its balance sheet the Expenditure Amounts required to comply with the actions required pursuant to the Mediation Consultant's Report. Notwithstanding anything to the contrary herein, Occidental may, in its sole discretion, relax any timing or scheduling requirement in the Review Report or otherwise determined by Occidental, and such decision shall be effective when notice thereof has been delivered in writing to the Company.

9. Prohibition of Certain Redemptions. The Company shall not purchase or otherwise acquire any shares of Common Stock (except for purchases pursuant to employment agreements or as required by law in connection with employee benefit plans) without the prior written consent of Occidental, which may be withheld in its sole discretion.

10. Profit Sharing Targets. Occidental represents that it has no present intention to eliminate the Company's employee profit sharing plan or to reduce the aggregate amount of payments thereunder or participation therein.

#### 11. Funding Obligations.

(a) The Company shall use commercially reasonable efforts to keep available or obtain sufficient funds to satisfy the Funding Obligations, including, without limitation, borrowing all available funds pursuant to the Company's bank credit facilities and using commercially reasonable efforts to borrow funds from other sources.

(b) If the Company has complied with paragraph (a) of this Section but does not have sufficient funds to satisfy any or all of the Funding Obligations, the Company shall give written notice (each, a "Funding Notice") to such effect to Occidental, specifying which Funding Obligation the Company is unable to satisfy and the amount of any such insufficiency. In order for a Funding Notice to be timely, the Company must deliver the Funding Notice to Occidental as promptly as practicable but in any event not less than ten business days prior to the earliest date on which the Company is obligated to make payments pursuant thereto.

(c) Occidental shall provide the Company with funds in an amount sufficient to enable the Company to satisfy all Funding Obligations for which the Company has timely delivered a Funding Notice to Occidental. With respect to Dissenters' Rights Obligations, (i) Occidental shall lend funds to the Company pursuant to a fully amortizing promissory note with an annual rate of interest of 8% and the shortest practicable maturity but which shall not, in any event, exceed five years and (ii) to the extent that the Company cannot borrow the full amount of any Funding Obligation insufficiency, Occidental shall purchase preferred stock of the Company, the terms of which are satisfactory to the Company and Occidental. Occidental acknowledges and agrees that any such loan with respect to the Dissenters' Rights Obligations shall be subordinated to the Company's Credit Agreement. With respect to Change of Control Obligations, Occidental shall lend funds to the Company pursuant to a promissory note with substantially the same terms as the notes issued pursuant to the Indenture or, at Occidental's option and if the Indenture permits, by purchasing from the Company the notes tendered to the Company pursuant to the Change of Control Offer concurrently with the Company's purchase of such notes pursuant to the Change of Control Offer.

#### 12. New Employees.

(a) Within six (6) months after the Closing Date, the Company or INDSPEC Chemical Corporation ("INDSPEC") shall hire three new employees (the "New Employees") to hold positions in each of the areas of financial planning and analysis, process safety and marketing. Occidental shall select the New Employees and present them to INDSPEC. INDSPEC shall employ each of the New Employees so selected and presented, subject to INDSPEC's approval of each New Employee, in its sole discretion. Each New Employee will be employed by INDSPEC on an "at-will" basis, subject to INDSPEC's right to terminate each such New Employee, at any time, with or without cause, unless INDSPEC shall otherwise agree. If



INDSPEC does not approve any New Employee selected and presented by Occidental, or if INDSPEC terminates any New Employee employed by it, Occidental shall have the right to select and present to INDSPEC a replacement for each such New Employee.

(b) Occidental and INDSPEC initially anticipate that such employees shall be mid-level managers, reporting directly to and under the direction and supervision of INDSPEC officers or managers holding the following titles: CFO, Manager, Environmental Affairs, and VP-Sales, respectively. The New Employees shall perform job duties comparable to similarly situated employees at INDSPEC, or if none exist, as are customarily performed by one holding a comparable position in a business comparable to INDSPEC.

(c) INDSPEC shall pay the New Employees salaries and provide to them benefits at the same level as it provides for its employees in comparable positions, or if none exist, as exist for one holding a comparable position in a business comparable to INDSPEC.

(d) Occidental shall pay all moving and relocation expenses incurred in connection with INDSPEC employing such New Employees.

### 13. Technology Matters.

(a) The respective technical representatives nominated from time to time by each of Occidental and INDSPEC shall meet not less than once per calendar quarter to discuss areas of mutual interest with respect to technology issues, including the sharing of information and the potential exploitation of areas of mutual interest.

(b) If either Occidental or INDSPEC informs the other of an area of interest in which the exploitation of the technology of such other party would be beneficial, each of Occidental and INDSPEC agree to use their commercially reasonable efforts to determine if there exists a mutually beneficial basis upon which to exploit or permit the exploitation of such technology and, if so, to agree to terms upon which such technology may be so exploited; provided, that to the extent consistent with the terms of existing contracts, agreements or instruments with which the parties hereto are bound, the parties agree that the terms upon which such technology will be exploited, if at all, will be on no less favorable than on a "most favored nation's" basis. The obligation to use such commercially reasonable efforts will terminate on the date one hundred eighty (180) days after the date on which the parties first commence discussions.

(c) In the event that INDSPEC contemplates providing technology assistance to a third party to enable or assist such party in a product field related to a field engaged in by Occidental, literally or in effect by license or assignment, INDSPEC shall offer Occidental the opportunity on an exclusive or non-exclusive basis, in INDSPEC's discretion, to enter the field under a license or assignment on substantially similar terms as INDSPEC is prepared to offer the third party.

(d) Occidental and INDSPEC agree that any information exchanged pursuant to these provisions shall be subject to mutually agreeable confidentiality provisions that are typical for the chemical industry and for similar types of exchanges.

### 14. Treatment of Incentive Stock Options.

(a) After consummation of any of the Exchange Options, the Company and Occidental shall take such actions as Occidental determines to be necessary or appropriate to convert Options into, or replace Options with, options to purchase common stock of Occidental in accordance with Section 424(a) of the Internal Revenue Code of 1986, as amended, for the purpose of preserving the economic benefits thereof, based on the First Call Ratio, the Second Call Ratio or the Put Offer Ratio, as applicable, as of the date of consummation of such Exchange Option.

(b) If, after the consummation of any of the Exchange Options, an employee of the Company or any of its subsidiaries that holds unvested Options terminates employment with the Company or any of its subsidiaries, the Chief Executive Officer of the Company shall have the right, on behalf of the Company, to amend the option plan or agreement applicable to such Options or take such other similar actions as may be necessary and appropriate to preserve for the holder of such Options the economic benefits thereof as if such

Options had vested prior to such termination; provided, that the aggregate amount of cash payments pursuant to this sentence shall not exceed \$300,000.

15. Mathematical Calculations. Unless otherwise specified in this Agreement, in any instance in which this Agreement requires that a mathematical calculation be performed, or makes reference to a fraction, the result obtained after performing such calculation, and any such fraction, shall be expressed as a decimal and rounded to the nearer 1/100th, with .5/100 rounded upward to 1/100.

16. Notices.

(a) All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally or sent by facsimile transmission or overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company:

INDSPEC Holding Corporation  
411 Seventh Avenue, Suite 300  
Pittsburgh, Pennsylvania 15219  
Attention: William S. Lee  
Fax No.: (412) 765-0439

with a copy to:

Eckert Seamans Cherin & Mellot  
600 Grant Street, 42nd Floor  
Pittsburgh, Pennsylvania 15219  
Attention: John J. Kearns  
Fax No.: (412) 566-6099

If to Occidental:

Occidental Petroleum Corporation  
10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention: Stephen I. Chazen  
Fax No.: (310) 443-8690

with a copy to:

Occidental Petroleum Corporation  
10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention: Donald P. de Brier  
Fax No.: (310) 443-6333

(b) All financial statements and information and certificates required to be delivered pursuant to Section 6 of this Agreement shall, in addition to the Persons specified in paragraph (a) of this Section, be delivered to the following Persons (or such other Persons as Occidental may designate from time to time in accordance with paragraph (a) of this Section):

Occidental Petroleum Corporation  
10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention: Mark M. Koppel  
Barbara H. Ryan  
Fax No.: (310) 443-6812

and

Occidental Chemical Corporation  
5005 LBJ Freeway  
Dallas, TX 75244  
Attention: Scott J. Wilson  
Rick Lorraine  
Fax No.: (214) 404-3669

17. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect. In addition, upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereby agree that there will be substituted therefor automatically and without further action by any party hereto, as part of this Agreement, a valid, legal and enforceable term or provision as similar in its form, substance and effect to such invalid, illegal or unenforceable term or other provision as may be possible.

18. Further Assurances. From time to time, each party, as and when requested by the other party hereto, shall execute and deliver, or cause to be executed and delivered, all such agreements, documents and instruments, and shall take, or cause to be taken, all such further or other actions as such requesting party may reasonably deem necessary or desirable to consummate the provisions of this Agreement.

19. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party hereto without the prior written consent of the other party.

20. Amendment; Waiver. This Agreement may not be modified, amended, altered or supplemented except by an agreement in writing executed by both parties hereto. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

21. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in that State, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

22. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

23. Effectiveness. This Agreement shall become effective on and as of the Closing Date.

24. Third Party Beneficiaries. Holders of Class A Common Stock are intended to be third party beneficiaries with respect to, and to be individually entitled to enforce the benefits of, Section 5 of this Agreement. Holders of Options are intended to be third party beneficiaries with respect to, and to be individually entitled to enforce the benefits of, Section 14 of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

OCCIDENTAL PETROLEUM CORPORATION,  
a Delaware corporation

By: /s/ STEPHEN I. CHAZEN

-----  
Name: Stephen I. Chazen  
Its: Executive Vice President-  
Corporate Development

INDSPEC HOLDING CORPORATION,  
a Delaware corporation

By: /s/ FRANK M. SPINOLA

-----  
Name: Frank M. Spinola  
Its: President

MORGAN STANLEY

Morgan Stanley & Co.  
Incorporated  
1585 Broadway  
New York, New York 10036  
(212) 761-4000

November 10, 1995

Board of Directors  
INDSPEC Holding Corporation  
411 Seventh Avenue, Suite 300  
Pittsburgh, PA 15219

Members of the Board:

We understand that INDSPEC Holding Corporation ("INDSPEC" or the "Company") and Occidental Petroleum Corporation ("Occidental") propose to enter into an Agreement and Plan of Share Exchange, dated November 10, 1995 (the "Share Exchange Agreement"). In connection with the transactions contemplated by the Share Exchange Agreement, INDSPEC will enter into (i) a Merger Agreement dated November 10, 1995 (the "Merger Agreement") with Roundtable Inc. ("Roundtable"), a corporation formed by certain shareholders of INDSPEC and to be capitalized with all or a portion of the INDSPEC shares held by such holders and (ii) a Voting Agreement, dated November 10, 1995 (the "Voting Agreement") with Roundtable, Castle Harlan Partners II, L.P. ("Castle Harlan") and certain other parties. Pursuant to the Merger Agreement and the Voting Agreement, INDSPEC will be recapitalized so that shares of common stock of INDSPEC held by Roundtable will be converted into Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock") and shares of common stock of INDSPEC held by shareholders other than Roundtable will be converted into Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"). The recapitalization contemplated by the Merger Agreement and related documents (the "Merger") will be consummated pursuant to a majority vote of the outstanding shares of common stock of INDSPEC, subject to certain other conditions.

The Share Exchange Agreement provides, among other things, that, following the Merger, Occidental will commence an exchange offer (the "Exchange Offer") for up to 8,504 shares of Class A Common Stock and each of the outstanding shares of Class B Common Stock. Pursuant to the terms of the Exchange Offer, shares of the Company (whether Class A Common Stock or Class B Common Stock) which are tendered and accepted will be exchanged (the "Exchange") for shares of Occidental common stock, par value \$0.20 per share. The equity value per share of Company common stock (the "Equity Value Per Share"), as set forth in the Share Exchange Agreement, will be determined by dividing the implied total equity value of the Company (\$131,000,000) by the total number of shares of Class A Common Stock and Class B Common Stock deemed outstanding on a fully diluted basis at the closing of the Exchange. The number of shares of Occidental common stock to be exchanged for each tendered and accepted share of Company common stock will be calculated as the Equity Value Per Share divided by the average of the last reported sales prices for Occidental common stock on each of the twenty consecutive trading days ending on the fifth day prior to the date of closing of the Exchange.

Pursuant to the Share Exchange Agreement, holders of Class A Common Stock (other than Occidental) not exchanged in the Exchange and holders of options to purchase Class A Common Stock will also receive additional consideration equal, in the aggregate, to the number of shares of Occidental common stock having a value, determined in the same manner as set forth above, equal to \$3,000,000 (the "Additional Consideration").

Following the Exchange, Occidental will own no more than 49.0% of the voting power of the outstanding shares of the Company. Pursuant to an Enabling Agreement between the Company and Occidental, Occidental has agreed, subject to the fulfillment of certain conditions which can occur no earlier than three years following the closing of the Exchange, to offer to purchase shares of Class A Common Stock held following the Exchange (the "Put Option"). In addition, the Company's Certificate of Incorporation following the Merger will provide that the Company has the right to redeem outstanding shares of Class A Common Stock, at Occidental's direction, under certain circumstances (the "Redemption Options"). The terms and conditions of the Exchange Offer are more fully set forth in the Share Exchange Agreement and other related documents.

Occidental common stock received by holders of Company common stock pursuant to the Exchange and the Additional Consideration, and the Put Option and the Redemption Options, shall be deemed to be, in the aggregate, the "Transaction Consideration." Holders of Class A Common Stock (whether or not exchanged and whether or not tendered pursuant to the Exchange Offer) and Class B Common Stock shall be deemed to be, in the aggregate, the "Company Stockholders."

You have asked for our opinion as to whether the Transaction Consideration to be received by the Company Stockholders pursuant to the Share Exchange Agreement (and related documents) is fair, in the aggregate, from a financial point of view to such holders.

For purposes of the opinion set forth herein, we have:

- (i) analyzed certain publicly available financial statements and other information of the Company;
- (ii) analyzed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;
- (iii) analyzed certain financial projections prepared by the management of the Company;
- (iv) discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company;
- (v) analyzed certain publicly available financial statements and other information of Occidental;
- (vi) discussed the past and current operations and financial condition and the prospects of Occidental with senior executives of Occidental;
- (vii) reviewed the reported prices and trading activity for Occidental's common stock;
- (viii) compared certain financial information of the Company with the financial and trading performance of certain comparable publicly traded companies and their securities;
- (ix) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- (x) participated in discussions and negotiations among representatives of the Company and Occidental and their legal advisors, as well as other potential purchasers of the Company;
- (xi) reviewed the Agreement and Plan of Share Exchange, dated November 10, 1995, and certain related documents; and
- (xii) have performed other such analyses as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by us for the purposes of this opinion. With respect to the financial projections (including management's estimates relating to capital expenditures), we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of the Company. With regard to potential environmental liabilities, we have reviewed a 1993 environmental assessment update prepared for INDSPEC Chemical Corporation by Remcor, Inc., and have not conducted an independent appraisal with respect to any environmental liabilities. Our opinion is

necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

We have acted as financial advisor to the Board of Directors of the Company in connection with this transaction and will receive a fee for our services. Morgan Stanley has, from time to time, acted as financial advisor to Occidental on various assignments and has received compensation for such services.

It is understood that this letter is for the information of the Board of Directors of the Company only and does not constitute a recommendation to the Company Stockholders as to whether or not to exchange their Class A Common Stock or Class B Common Stock in the Exchange Offer or a recommendation as to how the Company Stockholders should vote in connection with the Merger.

We note that pursuant to the terms of the Share Exchange Agreement and related documents, holders of Class A Common Stock will have the ability to exchange up to approximately 32.9% of their holdings of Class A Common Stock (if all shares of Class A Common Stock are tendered), while Class B Common Stock will have the ability to exchange 100% of their holdings of Class B Common Stock, and do not express a view as to the comparative fairness, from a financial point of view, of this aspect of the Exchange Offer. We also note that we are not expressing a view as to whether the financial condition which triggers the exercisability of the Put Option will or will not be satisfied in the future or whether the Redemption Options will or will not be consummated.

Based on the foregoing, we are of the opinion on the date hereof that the Transaction Consideration to be received by the Company Stockholders pursuant to the Share Exchange Agreement (and related documents) is, in the aggregate, fair from a financial point of view to such holders.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: /s/ CANDICE E. KOEDERITZ

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Candice E. Koederitz  
Managing Director

The Letter of Transmittal, certificates for shares of INDSPEC Common Stock and any other required documents should be sent or delivered by each INDSPEC stockholder to Occidental at the address set forth below:

Occidental Petroleum Corporation  
10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention:  
Telephone: (310) 443-  
Facsimile: (310) 443-

Questions and requests for assistance may be directed to Occidental at the address and telephone number set forth above. Additional copies of this Prospectus, the Letter of Transmittal and other Exchange Offer materials may be obtained from Occidental at the address and telephone number set forth above.



## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances for liabilities incurred in connection with their activities in such capacities (including reimbursement for expenses incurred). Occidental's Restated Certificate of Incorporation, as amended, provides for the elimination of personal liability of its directors to the full extent permitted by the Delaware General Corporation Law and Occidental has entered into indemnification agreements with each director and certain officers providing for additional indemnification. Article VIII of Occidental's By-Laws also provides that Occidental shall indemnify directors and officers under certain circumstances for liabilities and expenses incurred by reason of their activities in such capacities. In addition, Occidental has insurance policies that provide liability coverage to directors and officers while acting in such capacities.

## ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

## (a) EXHIBITS

- 2.1 Agreement and Plan of Share Exchange, dated as of November 10, 1995, by and between Occidental Petroleum Corporation and INDSPEC Holding Corporation (incorporated by reference to Annex I of the prospectus contained in this registration statement).
- 3.1 Restated Certificate of Incorporation of Occidental, together with all certificates amendatory thereof filed with the Secretary of State of Delaware through December 23, 1994 (incorporated by reference to Exhibit 3.(i) to Occidental's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- 3.2 By-laws of Occidental, as amended through December 15, 1994 (incorporated by reference to Exhibit 3.(ii) to Occidental's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- 3.3 Rights Agreement, dated as of October 17, 1986, between Occidental and The Chase Manhattan Bank (National Association), as the initial Rights Agent thereunder (subsequently replaced by Chemical Bank, as successor Rights Agent), together with the form of Rights certificate (incorporated by reference to Exhibit 4.1 to Occidental's Current Report on Form 8-K dated October 17, 1987).
- 5 Opinion of Robert E. Sawyer, Esq., Associate General Counsel of Occidental.\*
- 23.1 Consent of Robert E. Sawyer, Esq. (included in the opinion filed as Exhibit 5).\*
- 23.2 Consent of Arthur Andersen LLP.
- 23.3 Consent of Ernst & Young LLP.
- 23.4 Consent of Morgan Stanley & Co. Incorporated.
- 23.5 Consent of Castle Harlan, Inc.
- 24 Power of Attorney.\*
- 99.1 Form of Letter of Transmittal.
- 99.2 Form of Notice of Guaranteed Delivery.

- - - - -  
\* Previously filed.

## ITEM 22. UNDERTAKINGS.

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;

(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 and 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.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement 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.

(c) (1) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes 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.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(e) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 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.

(f) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on February 21, 1996.

## OCCIDENTAL PETROLEUM CORPORATION

By DONALD P. DE BRIER

-----  
Donald P. de Brier

Executive Vice President

and General Counsel

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
-----	-----	-----
RAY R. IRANI*	Chairman of the Board of Directors, President and Chief Executive Officer	
Ray R. Irani		
ANTHONY R. LEACH*	Executive Vice President and Chief Financial Officer	
Anthony R. Leach		
SAMUEL P. DOMINICK, JR.*	Vice President and Controller (Chief Accounting Officer)	
Samuel P. Dominick, Jr.		
	Director	
Albert Gore		
ARTHUR GROMAN*	Director	
Arthur Groman		
J. ROGER HIRL*	Director	
J. Roger Hirl		
	Director	
John W. Kluge		
DALE R. LAURANCE*	Director	
Dale R. Laurance		

SIGNATURE

TITLE

DATE

IRVIN W. MALONEY\*

Director

Irvin W. Maloney

GEORGE O. NOLLEY\*

Director

George O. Nolley

JOHN F. RIORDAN\*

Director

John F. Riordan

Director

Rudolfo Segovia

Director

Aziz D. Syriani

ROSEMARY TOMICH\*

Director

Rosemary Tomich

\*By: DONALD P. DE BRIER

February 21, 1996

Donald P. de Brier  
Attorney-in-fact

## EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
2.1	Agreement and Plan of Share Exchange, dated as of November 10, 1995, by and between Occidental Petroleum Corporation and INDSPEC Holding Corporation (incorporated by reference to Annex I of the prospectus contained in this registration statement).....	
3.1	Restated Certificate of Incorporation of Occidental, together with all certificates amendatory thereof filed with the Secretary of State of Delaware through December 23, 1994 (incorporated by reference to Exhibit 3.(i) to Occidental's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).....	
3.2	By-laws of Occidental, as amended through December 15, 1994 (incorporated by reference to Exhibit 3.(ii) to Occidental's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).....	
3.3	Rights Agreement, dated as of October 17, 1986, between Occidental and The Chase Manhattan Bank (National Association), as the initial Rights Agent thereunder (subsequently replaced by Chemical Bank, as successor Rights Agent), together with the form of Rights certificate (incorporated by reference to Exhibit 4.1 to Occidental's Current Report on Form 8-K dated October 17, 1987).....	
5	Opinion of Robert E. Sawyer, Esq., Associate General Counsel of Occidental*.....	
23.1	Consent of Robert E. Sawyer, Esq. (included in the opinion filed as Exhibit 5)*.....	
23.2	Consent of Arthur Andersen LLP.....	
23.3	Consent of Ernst & Young LLP.....	
23.4	Consent of Morgan Stanley & Co. Incorporated.....	
23.5	Consent of Castle Harlan, Inc.....	
24	Power of Attorney*.....	
99.1	Form of Letter of Transmittal.....	
99.2	Form of Notice of Guaranteed Delivery.....	

- - - - -  
\* Previously filed.

## CONSENT OF ARTHUR ANDERSEN LLP

As independent public accountants, we hereby consent to the incorporation by reference in this Registration Statement of our reports dated February 3, 1995 incorporated by reference or included in Occidental Petroleum Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 and to all references to our firm included in this Registration Statement.

ARTHUR ANDERSEN LLP

Los Angeles, California

February 21, 1996

## CONSENT OF ERNST &amp; YOUNG LLP

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated April 28, 1995, with respect to the financial statements of INDSPEC Holding Corporation included in the Prospectus of Occidental Petroleum Corporation that is made a part of this Registration Statement.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

February 21, 1996



## CONSENT OF MORGAN STANLEY &amp; CO. INCORPORATED

February 21, 1996

INDSPEC Holding Corporation

411 Seventh Avenue, Suite 300

Pittsburgh, PA 15219

Dear Sirs:

We hereby consent to the inclusion of the Registration Statement (No. 333-285) on Form S-4 of Occidental Petroleum Corporation ("Occidental"), relating to the proposed transaction involving INDSPEC Holding Corporation, Roundtable Corp., a newly formed Delaware corporation, and Occidental, of our opinion letter appearing as Annex IV to the Prospectus which is a part of the Registration Statement, and to the references to our firm name therein. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder nor do we admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: CANDICE E. KOEDERITZ

-----  
Candice E. Koederitz

Managing Director

CONSENT

Castle Harlan Partners II, L.P. and Castle Harlan, Inc. hereby consent to the use of their names in the Registration Statements to be filed by Occidental Petroleum Corporation pursuant to Section 6.10 of the Agreement and Plan of Share Exchange dated as of November 10, 1995 by and between Occidental Petroleum Corporation and INDSPEC Holding Corporation.

CASTLE HARLAN, INC.

By: JEFFREY M. SIEGAL

-----

Jeffrey M. Siegal

Managing Director

CASTLE HARLAN PARTNERS II, L.P.

By: Castle Harlan, Inc. as Investment  
Manager

By: JEFFREY M. SIEGAL

-----

Jeffrey M. Siegal

Managing Director

## LETTER OF TRANSMITTAL

TO ACCOMPANY CERTIFICATE(S) OF CLASS A COMMON STOCK OR  
CLASS B COMMON STOCK OF

INDSPEC HOLDING CORPORATION

TENDERED PURSUANT TO THE EXCHANGE OFFERS  
DESCRIBED IN THE PROSPECTUS DATED MARCH , 1996  
OF OCCIDENTAL PETROLEUM CORPORATION

THE EXCHANGE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON APRIL , 1996, UNLESS EXTENDED (THE "EXPIRATION DATE"). SHARES WHICH ARE TENDERED PURSUANT TO THE EXCHANGE OFFERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE EXCHANGE OFFERS.

To: Occidental Petroleum Corporation  
10889 Wilshire Boulevard  
Los Angeles, California 90024  
Attention:  
Telephone: (310)  
Facsimile: (310)

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned acknowledges that he has received and reviewed the Prospectus, dated March , 1996 (the "Prospectus"), of Occidental Petroleum Corporation, a Delaware corporation ("Occidental"), and this Letter of Transmittal (the "Letter of Transmittal"), which together constitute (i) Occidental's offer to exchange shares of Common Stock, par value \$.20 per share ("Occidental Common Stock"), of Occidental for up to 8,504 shares of Class A Common Stock, par value \$.01 per share ("Class A Common Stock"), of INDSPEC Holding Corporation, a Delaware corporation ("INDSPEC") (the "Class A Exchange Offer"), and (ii) Occidental's offer to exchange shares of Occidental Common Stock for each outstanding share of Class B Common Stock, par value \$.01 per share ("Class B Common Stock," and together with Class A Common Stock, the "INDSPEC Common Stock"), of INDSPEC (the "Class B Exchange Offer," and together with the Class A Exchange Offer, the "Exchange Offers").

The Exchange Offers will expire at 12:00 midnight, New York City time on April , 1996, unless extended. In the event of any extension of the Exchange Offers, the term "Expiration Date" shall mean the date on which the Exchange Offers, as so extended, shall expire. Occidental will make a public announcement of extension prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date. Promptly following the expiration of the Exchange Offers, but subject to certain conditions, Occidental will effect the exchange of shares of Occidental Common Stock for shares of Class A Common Stock and Class B Common Stock properly tendered and not withdrawn pursuant to the Exchange Offers (the "Closing").

The number of shares of Occidental Common Stock to be delivered in exchange for each share of Class A Common Stock and Class B Common Stock accepted in the Exchange Offers will be equal to (i) the quotient obtained by dividing \$131 million by the total number of shares of Class A Common Stock and Class B Common Stock outstanding or subject to issuance upon the exercise of outstanding warrants and options, determined as of the date (the "Closing Date") of the Closing, divided by (ii) the average of the last reported sales prices of Occidental Common Stock on the New York Stock Exchange on each of the twenty consecutive trading days ending on the fifth trading day prior to the Closing Date (the "Occidental Common Stock Value"). Cash will be paid by Occidental in lieu of issuing any fractional shares of Occidental Common Stock. If the Occidental Common Stock Value is less than \$15, Occidental will not be required to

consummate the Exchange Offers unless INDSPEC elects to proceed based on a deemed Occidental Common Stock Value of \$15. If INDSPEC elects to proceed with the Exchange Offers based on a deemed Occidental Common Stock Value of \$15, the Exchange Offers will be extended for at least ten business days from the date that notice to such effect is first published or sent or given to INDSPEC stockholders. INDSPEC stockholders who have tendered shares of INDSPEC Common Stock pursuant to the Exchange Offers will be entitled to withdraw such shares at any time prior to the Expiration Date, as so extended.

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offers. The undersigned understands that shares of Class A Common Stock issuable upon the exercise of vested options to purchase Class A Common Stock ("Options") may be tendered in the Class A Exchange Offer pursuant to the procedures for guaranteed delivery set forth in the Prospectus, the instructions hereto and the Notice of Guaranteed Delivery.

Upon the terms and subject to the conditions of the Exchange Offers, the undersigned hereby tenders to Occidental the shares (the "INDSPEC Shares") of INDSPEC Common Stock represented by the certificate(s) described below or issuable upon the exercise of Options pursuant to the Notice of Guaranteed Delivery described below. Subject to, and effective upon, the acceptance for exchange of the INDSPEC Shares tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, Occidental, all right, title and interest in and to the INDSPEC Shares. The undersigned hereby irrevocably constitutes and appoints Occidental as the true and lawful agent and attorney-in-fact of the undersigned with respect to the INDSPEC Shares with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to: (a) present certificate(s) representing the INDSPEC Shares for transfer on the books of INDSPEC; and (b) receive all benefits and otherwise exercise all rights of beneficial ownership of the INDSPEC Shares, all in accordance with the terms of the Exchange Offers.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the INDSPEC Shares tendered hereby and that Occidental 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 for exchange by Occidental. The undersigned will, upon request, execute and deliver any additional documents deemed by Occidental to be necessary or desirable to complete the sale, assignment and transfer of the INDSPEC Shares tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal 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 and the Instructions contained in this Letter of Transmittal.

The undersigned understands that if more than 8,504 shares of Class A Common Stock are validly tendered and not withdrawn in the Class A Exchange Offer, the shares of Class A Common Stock so tendered and not withdrawn will be accepted for exchange on a pro rata basis, based on the number of shares validly tendered by each stockholder.

Please send, in the name of the undersigned to the address shown below the signature of the undersigned, (i) certificate(s) representing shares of Occidental Common Stock to which the undersigned is entitled, (ii) if applicable, in lieu of a fractional share of Occidental Common Stock, a check in the amount of such fraction multiplied by the Occidental Common Stock Value, and (iii) if applicable, certificate(s) representing any shares of INDSPEC Common Stock not tendered by the undersigned or any shares of INDSPEC Common Stock not accepted for exchange by Occidental.

THE UNDERSIGNED, BY COMPLETING THE BOX BELOW AND SIGNING THIS LETTER OF TRANSMITTAL, WILL BE DEEMED TO HAVE TENDERED THE SHARES OF INDSPEC COMMON STOCK REPRESENTED BY THE CERTIFICATE(S) DESCRIBED BELOW OR ISSUABLE UPON THE EXERCISE OF OPTIONS PURSUANT TO THE NOTICE OF GUARANTEED DELIVERY DESCRIBED BELOW.

PLEASE SIGN HERE

TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS  
(See Instructions 1 and 3 and the following paragraph)

X  
-----  
-----

X  
-----  
-----

Signature(s) of Owner(s)

Date

Area Code and Tel. No.:

-----

Must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for shares of INDSPEC Common Stock or on a security position listing or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith (including a Notice of Guaranteed Delivery). 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):

-----

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(Please Type or Print)

Capacity:

-----

Address:

-----

-----

(Include Zip Code)

SIGNATURE GUARANTEE  
(If required by Instruction 3)

Signature(s) Guaranteed by an Eligible Institution (if required by Instruction 3):

-----

By:

-----

Name:

Title:

Dated:

-----

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATE(S) FOR INDSPEC COMMON STOCK OR A NOTICE OF GUARANTEED DELIVERY AND ALL OTHER REQUIRED DOCUMENTS) MUST BE RECEIVED BY OCCIDENTAL PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL  
CAREFULLY BEFORE CHECKING ANY BOX BELOW

This Letter of Transmittal is to be used if certificate(s) for shares of INDSPEC Common Stock are to be forwarded herewith or, in the case of shares issuable upon the exercise of Options, if the guaranteed delivery procedures are to be utilized. 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 Occidental at the address indicated above.

List below the certificate(s) representing the shares of INDSPEC Common Stock to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and number of shares of INDSPEC Common Stock should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF TENDERED SHARES					
(1)	(2)	(3)	(4)	(5)	(6)
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S)	CERTIFICATE NUMBER(S) OR OPTION*	CLASS OF INDSPEC COMMON STOCK (A OR B)	PRIORITY OF ACCEPTANCE (OPTIONAL)**	NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S) OR OPTION(S)	NUMBER OF SHARES TENDERED***
Total					

\* If certificates for shares of INDSPEC Common Stock are to be forwarded herewith, indicate the certificate number(s). If shares of INDSPEC Common Stock issuable upon the exercise of Options are being tendered pursuant to the guaranteed delivery procedures, indicate by printing "Option."

\*\* If more than 8,504 shares of Class A Common Stock are validly tendered and not withdrawn in the Class A Exchange Offer, the shares of Class A Common Stock so tendered and not withdrawn will be accepted on a pro rata basis. In the event of proration, tendering stockholders may indicate the priority with respect to which they would like their tendered shares to be accepted by Occidental by printing "First," "Second," etc.

\*\*\* Unless otherwise indicated in this column, a holder will be deemed to have tendered all shares of INDSPEC Common Stock represented by the certificate(s) or Option(s) indicated in column (5). See Instruction 2.

// CHECK HERE IF THE CERTIFICATE(S) REPRESENTING TENDERED SHARES OF INDSPEC COMMON STOCK ARE ENCLOSED HEREWITH.

// CHECK HERE IF TENDERED SHARES OF INDSPEC COMMON STOCK ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING  
(See Instruction 1):

Name of Registered Owner(s):

Date of Execution of Notice of Guaranteed Delivery:

TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS  
(See Instruction 4)

PAYOR'S NAME: OCCIDENTAL PETROLEUM CORPORATION

-----  
SUBSTITUTE  
FORM W-9  
Department of the  
Treasury, Internal  
Revenue Service Payor's  
Request for Taxpayer  
Identification Number  
(TIN) and Certification  
-----

CERTIFICATION -- UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT (1) the number shown on this form is my correct 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 (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of a failure to report all interest or dividends or (c) the Internal Revenue Service has notified me that I am no longer subject to backup withholding, and (3) any other information provided on this form is true and correct.

THE INTERNAL REVENUE SERVICE DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

-----  
You must cross out item (2) above if you have been notified by the Internal Revenue Service that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return and you have not been notified by the Internal Revenue Service that you are no longer subject to backup withholding.  
-----

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I OF THE 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 (i) 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 (ii) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, I may be subject to backup withholding in an amount equal to 31% of the gross proceeds resulting from the Exchange Offers until I provide a number.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

-----  
Part 1 -- PLEASE PROVIDE  
YOUR TIN IN THE BOX AT  
RIGHT AND CERTIFY BY SIGNING  
AND DATING BELOW  
-----

TIN:  
Social Security Number or  
Employer Identification Number

-----  
Part 2 -- FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING,  
PLEASE WRITE "EXEMPT" HERE (SEE  
INSTRUCTIONS)  
-----

## INSTRUCTIONS

FORMING PART OF THE TERMS AND  
CONDITIONS OF THE EXCHANGE OFFERS

## 1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND INDSPEC CERTIFICATE(S); GUARANTEED DELIVERY PROCEDURES.

This Letter of Transmittal is to be used if certificate(s) for INDSPEC Common Stock are to be forwarded herewith or, in the case of shares issuable upon the exercise of Options, if tenders are to be made pursuant to the procedures for guaranteed delivery set forth below and in the Prospectus under the caption "The Exchange Offers -- Guaranteed Delivery Procedure." The certificate(s) representing shares of INDSPEC Common Stock, as well as a properly completed and duly executed copy of this Letter of Transmittal or a facsimile hereof, and any other documents required by this Letter of Transmittal, must be received by Occidental at its address set forth herein or confirmed to Occidental prior to 12:00 midnight, New York City time, on the Expiration Date. The method of delivery of this Letter of Transmittal, the shares of INDSPEC Common Stock and any other required documents is at the election and risk of the stockholder, but, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by Occidental. If certificate(s) for shares of INDSPEC Common Stock are sent by mail, it is suggested that the mailing be made by registered mail, return receipt requested, properly insured and sufficiently in advance of the Expiration Date to permit delivery to Occidental prior to 12:00 midnight, New York City time, on the Expiration Date.

Persons tendering shares of Class A Common Stock by the conditional exercise of vested options (each, an "Option") to purchase such shares may tender their shares of Class A Common Stock pursuant to the guaranteed delivery procedure set forth in the Prospectus. Pursuant to such procedure, prior to 12:00 midnight, New York City time, on the Expiration Date, Occidental must have received (i) a properly completed Notice of Guaranteed Delivery duly executed by INDSPEC that (a) sets forth the name and address of the tendering party, (b) sets forth the number of shares of Class A Common Stock tendered pursuant thereto, (c) indicates that (x) the tendering party is entitled to receive shares of Class A Common Stock upon exercise of a vested Option, and (y) INDSPEC has received a properly completed and duly executed Notice of Conditional Exercise exercising such Option, subject only to the condition that Occidental accept the shares issuable thereunder in the Exchange Offers, and directing INDSPEC to deliver such shares directly to Occidental upon notice of acceptance thereof from Occidental, and (d) guarantees that the certificate(s) representing the shares of Class A Common Stock will be deposited by INDSPEC with Occidental at the Closing; and (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) and any required signature guarantees, as well as all other documents required by this Letter of Transmittal.

See "The Exchange Offers" section of the Prospectus.

## 2. PARTIAL TENDERS AND WITHDRAWALS.

If fewer than all the shares of INDSPEC Common Stock evidenced by any submitted certificate(s), or issuable upon the exercise of Options, are to be tendered, the tendering INDSPEC stockholder should fill in the number of shares to be tendered under column (6) in the box entitled "Description of Tendered Shares." In the case of share certificates representing shares not tendered or not exchanged, a reissued certificate representing any such shares of INDSPEC Common Stock not exchanged will be sent to such stockholder as soon as practicable after the Expiration Date. The entire number of shares of INDSPEC Common Stock delivered to Occidental, or issuable upon the exercise of Options identified in column (2) for which a Notice of Guaranteed Delivery is delivered to Occidental, will be deemed to have been tendered unless otherwise indicated.

Shares tendered pursuant to the Exchange Offers may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for exchange by Occidental pursuant to the Exchange Offers, may also be withdrawn at any time after the expiration of 60 days from the commencement of the Exchange Offers (May , 1996). To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by Occidental at its address set forth above and must specify the name of the person who tendered the shares of INDSPEC Common Stock to be withdrawn precisely as it appears on this Letter of Transmittal. The Notice of Withdrawal must be (a) signed by the holder in the same manner as the original signatures in this Letter of Transmittal or (b) accompanied by evidence satisfactory to Occidental that the holder withdrawing such tender has succeeded to beneficial ownership of such shares of INDSPEC Common Stock.



If the shares of INDSPEC Common Stock to be withdrawn have been delivered to Occidental, a signed notice of withdrawal must be submitted prior to the release of such shares of INDSPEC Common Stock. In addition, such notice must specify, in the case of shares of INDSPEC Common Stock tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering stockholder) and the serial numbers shown on the particular certificates evidencing the shares of INDSPEC Common Stock to be withdrawn. Withdrawals may not be rescinded, and shares of INDSPEC Common Stock withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offers. However, at any time prior to the Expiration Date, withdrawn shares of INDSPEC Common Stock may be tendered by again following one of the procedures described above.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Occidental, in its sole discretion, which determination shall be final and binding. Neither Occidental nor any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal and neither Occidental nor any other person shall incur any liability for failure to give any such notification.

### 3. SIGNATURES ON THIS LETTER OF TRANSMITTAL, STOCK POWERS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter of Transmittal is signed by the registered holder of the shares of INDSPEC Common Stock tendered hereby, the signature must correspond exactly with the name as written on the face of the certificate(s) without any change whatsoever. If any tendered shares of INDSPEC Common Stock are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any tendered shares of INDSPEC Common Stock are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of certificates.

When this Letter of Transmittal is signed by the registered holder or holders of the shares of INDSPEC Common Stock or Options specified herein and tendered hereby, no endorsements of certificate(s) or separate stock powers are required. If this Letter of Transmittal is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s).

If this Letter of Transmittal or a Notice of Guaranteed Delivery or any certificate(s) or stock 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 Occidental, proper evidence satisfactory to Occidental of their authority to so act must be submitted.

Endorsements on certificate(s) for shares of INDSPEC Common Stock or signatures on stock powers required by this Instruction 3 must be guaranteed by an Eligible Institution. An "Eligible Institution" means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act including (as such terms are defined therein): (i) a bank; (ii) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker; (iii) a credit union; (iv) a national securities exchange, registered securities association or clearing agency; or (v) savings institution that is a participant in a Securities Transfer Association recognized program. A verification by a notary public alone is not acceptable.

Signatures on this Letter of Transmittal must be guaranteed unless the shares of INDSPEC Common Stock tendered pursuant hereto are tendered by a registered holder. In the event that signatures on this Letter of Transmittal are required to be guaranteed, such guarantee must be by an Eligible Institution.

### 4. TAX IDENTIFICATION NUMBER.

Federal income tax law requires that a stockholder whose tendered shares of INDSPEC Common Stock are accepted for exchange must provide Occidental (as payor) with his or her correct Taxpayer Identification Number ("TIN"), which, in the case of a tendering stockholder who is an individual, is his or her social security number. If Occidental is not provided with the correct TIN or an adequate basis for exemption, such stockholder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, backup withholding at the rate of 31% may be imposed upon the gross proceeds received pursuant to the Exchange Offers. If withholding results in an over-payment of taxes, a refund may be obtained.

Exempt stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. To prevent possible erroneous backup withholding, an exempt stockholder must enter his or her correct TIN in part 1 of the substitute Form W-9, write "Exempt" in part 2 of such

form, and date and sign such form. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (the "W-9 Guidelines") for additional instructions. In order to satisfy Occidental that a foreign individual qualifies as an exempt recipient, such stockholder must submit a completed Form W-8, "Certificate of Foreign Status," signed under penalty of perjury attesting to such exempt status. Such form may be obtained from Occidental.

To prevent backup withholding, each tendering INDSPEC stockholder must provide his or her correct TIN by completing the "Substitute Form W-9" set forth herein, certifying that the TIN provided is correct (or that such stockholder is awaiting a TIN) and that (i) the stockholder is exempt from backup withholding, (ii) the stockholder has not been notified by the IRS that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) the Internal Revenue Service has notified the stockholder that he or she is no longer subject to backup withholding. If the certificate(s) representing shares of INDSPEC Common Stock are in more than one name or are not in the name of the actual owner, consult the W-9 Guidelines for information on which TIN to report. If you do not have a TIN, consult the W-9 Guidelines for instructions on applying for a TIN, and write "applied for" in lieu of your TIN in Part 1 of the Substitute Form W-9. If you do not provide your TIN to Occidental within 60 days, backup withholding will begin and continue until you furnish your TIN to Occidental. Please note that writing "applied for" on the form means that the stockholder has already applied for a TIN or that such stockholder intends to apply for one in the near future.

#### 5. TRANSFER TAXES.

Occidental will pay all transfer taxes, if any, applicable to the transfer and sale of shares of INDSPEC Common Stock to it or its order pursuant to the Exchange Offers. If, however, a transfer tax is imposed for any reason other than the transfer and sale of shares of INDSPEC Common Stock to Occidental or its order pursuant to the Exchange Offers, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering stockholder. 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 stockholder.

Except as provided in this Instruction 5, it will not be necessary for transfer tax stamps to be affixed to the certificate(s) specified in this Letter of Transmittal.

#### 6. WAIVER OF CONDITIONS.

Occidental reserves the absolute right to waive satisfaction of any conditions enumerated in the Prospectus.

#### 7. NO CONDITIONAL OFFERS; VALIDITY OF TENDERS.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering INDSPEC stockholders, by execution of this Letter of Transmittal (or a facsimile hereof), waive any right to receive notice of the acceptance of their shares of INDSPEC Common Stock for exchange.

All questions as to the validity, form, eligibility (including time of receipt), and acceptance of tendered shares of INDSPEC Common Stock will be resolved by Occidental, whose determination will be final and binding. Occidental reserves the absolute right to reject any or all tenders that are not in proper form or the acceptance of which would, in the opinion of counsel for Occidental, be unlawful. Occidental also reserves the right to waive any irregularities or conditions of tender as to particular shares of INDSPEC Common Stock. Occidental's interpretation of the terms and conditions of the Exchange Offers (including the instructions in this Letter of Transmittal) will be final and binding. Neither Occidental nor any other person is obligated to give notice of defects or irregularities in any tender, nor shall any of them incur any liability for failure to give any such notice.

#### 8. MUTILATED, LOST, STOLEN OR DESTROYED INDSPEC COMMON STOCK CERTIFICATE(S).

Any stockholder whose certificate(s) representing shares of INDSPEC Common Stock have been mutilated, lost, stolen or destroyed should contact Occidental at the address indicated above for further instructions.

#### 9. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

All questions relating to the Exchange Offers, as well as requests for assistance or additional copies of the Prospectus or this Letter of Transmittal may be directed to Occidental at the address and telephone number set forth above.

NOTICE OF GUARANTEED DELIVERY  
 OF CERTIFICATE(S) OF CLASS A COMMON STOCK OF  
 INDSPEC HOLDING CORPORATION  
 ISSUABLE UPON THE EXERCISE OF OPTIONS

This form or one substantially equivalent hereto may be used to accept the Exchange Offers of Occidental Petroleum Corporation ("Occidental") made pursuant to the Prospectus, dated March , 1996 (the "Prospectus"), if shares of Class A Common Stock, par value \$.01 ("Class A Common Stock"), of INDSPEC Holding Corporation ("INDSPEC") are to be tendered by the conditional exercise of vested options to purchase Class A Common Stock ("Options"). Such form may be delivered by hand or transmitted by facsimile transmission or letter to Occidental. In addition, in order to utilize the guaranteed delivery procedure to tender shares of Class A Common Stock pursuant to the Exchange Offers, a completed, signed and dated Letter of Transmittal (or facsimile thereof) must also be received by Occidental prior to 12:00 midnight, New York City time, on the Expiration Date. Capitalized terms used and not defined herein have the respective meanings ascribed to them in the Prospectus.

To: Occidental Petroleum Corporation  
 10889 Wilshire Boulevard  
 Los Angeles, California 90024  
 Telephone: (310) 443-  
 Facsimile: (310) 443-

Delivery of this instrument to an address other than as set forth above does not constitute a valid delivery.

This form 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 under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

Upon the terms and subject to the conditions set forth in the Prospectus and the accompanying Letter of Transmittal, receipt of which is hereby acknowledged, the undersigned hereby tenders to Occidental the shares of Class A Common Stock set forth below, pursuant to the guaranteed delivery procedure described in the Prospectus.

The undersigned has exercised his or her Options to purchase the number of shares of Class A Common Stock set forth below, subject only to the condition that Occidental accept the shares issuable thereunder in the Exchange Offers, and has directed INDSPEC to deliver such shares directly to Occidental upon notice from Occidental of acceptance thereof in the Exchange Offers.

Number of shares of Class A Common Stock Issuable Upon Exercise of Options that are to be Tendered:

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 Signature(s):  
 -----  
 Name(s):  
 -----

Address:

-----  
-----

Zip Code

Area Code and Tel. No.(s):

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(Please Type or Print)

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEES)

INDSPEC hereby guarantees that: (i) the person on whose behalf this tender is being made is entitled to receive the tendered shares of Class A Common Stock upon exercise of a vested Option; (ii) INDSPEC has received a properly completed and duly executed Notice of Conditional Exercise exercising such Option, subject only to the condition that Occidental accept the shares issuable thereunder in the Exchange Offers, and directing INDSPEC to deliver such shares directly to Occidental upon notice of acceptance thereof from Occidental; (iii) upon notice of acceptance thereof from Occidental, certificate(s) representing the shares of Class A Common Stock tendered hereby will be deposited by INDSPEC with Occidental at the Closing; and (iv) such tender of shares of INDSPEC Common Stock complies with Rule 14e-4 under the Securities Exchange Act of 1934, as amended.

INDSPEC HOLDING CORPORATION

By:

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Name:

Title:

Dated:

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