

CALGON CARBON CORPORATION

Form 424B3

November 29, 2007

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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-144463

**Prospectus**

**Calgon Carbon Corporation**

***\$75,000,000***

***5.00% Convertible Senior Notes due 2036***

*Interest payable February 15 and August 15*

**Issue Price: 100%**

On August 18, 2006, we issued \$75,000,000 aggregate principal amount of 5.00% Convertible Senior Notes due 2036 in a private offering. This prospectus covers resales from time to time by selling securityholders of any or all of their notes, including the related guarantees, and shares of our common stock into which the notes are convertible. We will not receive any proceeds from the resale by the selling securityholders of the notes or the shares of common stock hereunder.

The notes bear interest at a rate of 5.00% per year. Interest on the notes accrues from August 18, 2006. Interest is payable semiannually in arrears on February 15 and August 15 of each year, beginning February 15, 2007. The notes will mature on August 15, 2036.

Prior to June 15, 2011, holders may convert their notes under the following circumstances: (1) during any calendar quarter (and only during such calendar quarter) commencing after September 30, 2006, if the last reported sale price of our common stock is greater than or equal to 120% of the conversion price of the notes for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading-day period (the measurement period) in which the trading price per note for each day in the measurement period was less than 103% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in this prospectus. On or after June 15, 2011, holders may convert their notes at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date. Upon conversion, we will pay cash and shares of our common stock, if any, based on a daily conversion value (as described herein) calculated on a proportionate basis for each day of the 25 trading-day observation period.

The initial conversion rate is 196.0784 shares of our common stock per \$1,000 principal amount of notes, equivalent to an initial conversion price of approximately \$5.10 per share of common stock. The conversion rate is subject to adjustment in some events but will not be adjusted for accrued interest. In addition, following certain fundamental changes that occur prior to August 15, 2011, we will increase the conversion rate for holders who elect to convert notes in connection with such fundamental changes in certain circumstances.

We may not redeem the notes before August 20, 2011. On or after that date, we may redeem all or a portion of the notes at any time. Any redemption of the notes will be for cash at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Holders may require us to purchase all or a portion of their notes on each of August 15, 2011, August 15, 2016 and August 15, 2026. In addition, if we experience specified types of fundamental changes, holders may require us to purchase the notes. Any repurchase of the notes pursuant to these provisions will be for cash at a price equal to 100%

of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date.

The notes are our senior unsecured obligations, and rank equally in right of payment with all of our other existing and future senior unsecured indebtedness. The notes are guaranteed by certain of our domestic subsidiaries on a senior unsecured basis. The subsidiary guarantees are general unsecured senior obligations of the subsidiary guarantors and rank equally in right of payment with all of the existing and future senior unsecured indebtedness of the subsidiary guarantors. If we fail to make payment on the notes, the subsidiary guarantors must make them instead. The notes are effectively subordinated to any indebtedness of our non-guarantor subsidiaries. The notes are effectively junior to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. The notes originally issued in the private offering are eligible for trading on The PORTAL<sup>sm</sup> Market of the National Association of Securities Dealers, Inc. However, the notes sold pursuant to this prospectus will no longer be eligible for trading in The PORTAL<sup>sm</sup> Market of the National Association of Securities Dealers, Inc.

Our common stock is listed on the New York Stock Exchange under the symbol CCC. The last reported sale price of our common stock on the New York Stock Exchange on November 28, 2007 was \$13.51 per share.

**See Risk factors beginning on page 6 for a discussion of certain risks that you should consider in connection with an investment in the notes.**

The notes, including the related guarantees, and the common stock may be sold from time to time by the selling securityholders named in this prospectus through public or private transactions, at prevailing market prices or at privately negotiated prices, either directly or through agents or broker-dealers acting as principal or agent. The selling securityholders may engage underwriters, brokers, dealers or agents, who may receive commissions or discounts from the selling securityholders. We will pay substantially all of the expenses incident to the registration of the notes, including the related guarantees, and shares of our common stock, except for the selling commissions, if any. See Plan of Distribution.

The date of this prospectus is November 28, 2007

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In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with any other information. If anyone provides you with different or inconsistent information, you should not rely on it.

Neither we nor our representatives are making an offer to sell these securities in any jurisdiction where the offer is not permitted.

You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus. You should not assume that the information contained in the documents incorporated by reference in this prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**Calgon Carbon Corporation**

We are one of the leading global suppliers of activated carbon, producing approximately 130 million pounds annually, or approximately 31% of estimated annual U.S. demand and approximately 11% of estimated global demand. We specialize in the manufacture and supply of activated carbon in granular form, and the design of innovative treatment systems and value-added technologies and services for the purification of water and air and other process streams. We have approximately 850 employees, 16 operational facilities and 23 sales and service centers in North America, Europe and Asia.

***Products and services***

We offer a diverse range of products, services and equipment specifically developed for the purification, separation and concentration of liquids and gases through three business segments.

*Activated Carbon and Service segment 84% of 2006 net sales*

The Activated Carbon and Service segment primarily consists of activated carbon products and field services, including reactivation. The sale of activated carbon is the principal component of this business segment. We produce and sell a broad range of activated carbons, in granular, powdered or pellet form. Activated carbon is a porous material that removes organic compounds from liquids and gases by a process known as adsorption. In adsorption, organic molecules contained in a liquid or gas are attracted and bound to the surface of the pores of the activated carbon as the liquid or gas is passed through. We also have a patented manufacturing process which enhances the catalytic functionality of activated carbon, expanding its capability to remove inorganic compounds; the product was introduced in 1994 and is called Centaur®.

The primary raw material used in the production of our activated carbons is bituminous coal which is crushed, mixed with pitch, sized and processed in low temperature bakers followed by high temperature furnaces. This heating process is known as activation and develops the pore structure of the carbon. Through adjustments in the activation process, pores of the required size for a particular purification application are developed. Our technological expertise in adjusting the pore structure in the activation process has been one of the factors that has enabled us to develop many special types of activated carbon.

We also market lower priced, lower value-added activated carbon produced by other suppliers outside the United States, principally in China, as well as activated carbons made from other raw materials, including coconut or wood, produced by industry partners and suppliers.

The other significant component of this business segment is the reactivation of activated carbons. Reactivation is a process by which organic compounds that have been adsorbed by the carbon are destroyed. The process entails passing the spent activated carbon through a high temperature furnace. The reactivated carbon can then be re-used. Our reactivation service includes handling and transportation of the activated carbon. Another component of this business segment is various services associated with the supply of media, such as activated carbon, ion exchange resins and anthracite, among others and systems for purification, separation and concentration as well as the supply of equipment through leasing arrangements.

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These services are particularly suited for treating fluids at a customer's facility containing hazardous or non-hazardous organic compounds.

We also provide a perchlorate removal service for groundwater treatment which utilizes ion exchange resins and equipment. This service includes feasibility studies, process and equipment design, assembly and supply of systems with a selected ion exchange resin, treatment services and major maintenance of Company owned equipment. We also provide resin exchange service along with disposal of the spent resins.

We lease a line of adsorption and filtration equipment to clean water from contaminated aquifers and industrial wastewater and surface impoundments, and other equipment to purify gases and liquids in industrial process applications.

Our purification services are used to improve the quality of food, chemical, pharmaceutical, and petrochemical products. Such services may be utilized in permanent installations or in temporary applications, as pilot studies for new manufacturing processes or recovery of off-specification products.

*Equipment segment 12% of 2006 net sales*

We design and sell equipment which employs activated carbon and ion exchange resins for purification, separation and concentration, and proprietary ion exchange technology based continuous ion exchange units for the purification of many products in the food, pharmaceutical and biotechnology industries. We also provide a wide range of odor control equipment that utilizes catalytic or activated carbon to control odors at municipal wastewater treatment facilities and pumping stations.

Our ultraviolet (UV) light equipment is effective for disinfecting both drinking water and wastewater. In drinking water, UV light alters the DNA of pathogens, such as Cryptosporidium and Giardia, making it impossible for them to reproduce and infect humans. Our drinking water disinfection product line is designed to protect municipal drinking water supplies from such pathogens. Our wastewater disinfection product line is designed to disinfect municipal wastewater. In addition, UV light is effective in combination with hydrogen peroxide in destroying many contaminants common in groundwater remediation applications via our advanced oxidation equipment.

*Consumer segment 4% of 2006 net sales*

The primary product offered in the Consumer segment is carbon cloth, which is activated carbon in cloth form. Carbon cloth is sold to the medical, industrial and military markets.

Activated carbon and carbon cloth are used as the primary raw material in our consumer home products group. We currently have two primary product lines that we market to the retail market. The first product line, PreZerve® storage products, uses carbon cloth to protect and preserve jewelry and keepsakes from deterioration. The second product line, AllGone™, is an odor elimination system that utilizes activated carbon discs to adsorb odors and impurities from the air safely and naturally.

Our principal executive offices are located at 400 Calgon Carbon Drive, Pittsburgh, PA 15230-0717, and our telephone number is (412) 787-6700. Our website is [www.calgoncarbon.com](http://www.calgoncarbon.com). The information on our website is not part of this prospectus.

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**Summary consolidated financial and operating data**

The following summary consolidated financial and operating data as of December 31, 2006 and for the years ended December 31, 2004, 2005 and 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated financial and operating data as of September 30, 2007 and for the nine months ended September 30, 2006 and September 30, 2007 have been derived from our unaudited condensed consolidated financial statements incorporated by reference in this prospectus.

In the opinion of management, the unaudited condensed consolidated financial statements as of September 30, 2007 and for the nine months ended September 30, 2006 and September 30, 2007 have been prepared on a basis consistent with the audited consolidated financial statements. In the opinion of management, such unaudited condensed consolidated financial statements include all adjustments, which are normal and recurring adjustments, necessary for a fair presentation of our financial position and results of operations as of and for these periods. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for any corresponding interim period or for the year ending December 31, 2007.

The following summary consolidated financial and operating data should be read together with, and are qualified by reference to, our audited Consolidated Financial Statements, including the accompanying notes, included elsewhere in this prospectus and Selected Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and our unaudited condensed consolidated financial statements, including the accompanying notes, appearing in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007, which are incorporated by reference into this prospectus.

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(in thousands, except per share amounts and ratios)	Year ended December 31,			Nine months ended	
	2004	2005	2006	2006	2007
<b>Income Statement Data:</b>					
Net sales	\$ 295,877	\$ 290,835	\$ 316,122	\$ 236,769	\$ 256,319
Cost of products sold (excluding depreciation and amortization)	207,523	215,330	236,673	176,270	175,622
Depreciation and amortization	22,004	21,042	18,933	14,311	13,019
Selling, general and administrative expenses	54,543	59,547	62,003	47,489	44,921
Research and development expenses	3,801	4,506	4,248	3,384	2,701
(Gain) loss from insurance settlement		1,000	(8,072)	(8,072)	
Goodwill impairment charge			6,940		
Gulf Coast facility impairment charge		2,158			
Restructuring charges		412	7	7	
Income (loss) from continuing operations	8,006	(13,160)	(4,610)	3,380	20,056
Interest income	697	719	822	553	1,157
Interest expense	(3,409)	(4,891)	(5,977)	(4,628)	(4,223)
Other expense net	(3,238)	(2,138)	(2,209)	(2,018)	(1,293)
Income (loss) from continuing operations before income taxes, equity in income (loss), and minority interest	2,056	(19,470)	(11,974)	(2,713)	15,697
Income tax (benefit) provision	(846)	(9,688)	(2,676)	(1,156)	5,923
Income (loss) from continuing operations before equity in income (loss) and minority interest	2,902	(9,782)	(9,298)	(1,557)	9,774
Equity in income (loss) of equity investments	1,000	(725)	286	211	1,766
Minority interest	66				
Income (loss) from continuing operations	3,968	(10,507)	(9,012)	(1,346)	11,540
Income (loss) from discontinued operations	1,920	3,091	1,214	1,910	(96)
Net income (loss)	5,888	(7,416)	(7,798)	\$ 564	\$ 11,444
Other comprehensive income (loss), net of tax provision (benefit) of \$(816), \$(3,019) and \$2,752, respectively	3,939	(9,811)	9,238		
Comprehensive income (loss) (2006 restated)	\$ 9,827	\$ (17,227)	\$ 1,440		



Basic earnings per share:										
Income (loss) from continuing operations	\$	0.10	\$	(0.27)	\$	(0.23)	\$	(0.03)	\$	0.28
Income from discontinued operations	\$	0.05	\$	0.08	\$	0.03	\$	0.05	\$	
Net income (loss)	\$	0.15	\$	(0.19)	\$	(0.20)	\$	0.01	\$	0.28
Diluted earnings per share:										
Income (loss) from continuing operations	\$	0.10	\$	(0.27)	\$	(0.23)	\$	(0.03)	\$	0.24
Income from discontinued operations	\$	0.05	\$	0.08	\$	0.03	\$	0.05	\$	
Net income (loss)	\$	0.15	\$	(0.19)	\$	(0.20)	\$	0.01	\$	0.24
Weighted average shares outstanding:										
Basic		39,054		39,615		39,927		39,871		40,289
Diluted		39,456		39,615		39,927		39,871		47,324
<b>Other Financial Data:</b>										
Capital expenditures	\$	12,413	\$	15,996	\$	12,855	\$	9,989	\$	7,639
Net cash provided by (used in) operating activities		20,074		12,840		(5,785)		(15,081)		16,889
Net cash provided by (used in) investing activities		(46,823)		(15,496)		14,210		16,495		(7,452)
Net cash provided by (used in) financing activities		26,510		(1,180)		(8,733)		(1,876)		2,963

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<b>(In thousands, except par value and number of shares)</b>	<b>December 31, 2006</b>	<b>September 30, 2007 (unaudited)</b>
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$ 5,631	\$ 19,371
Inventories	70,339	78,227
Total assets	322,364	333,921
Total debt (including current portion of long-term debt):		
Revolving credit facility		
5.00% Convertible Senior Notes due 2036(1)	71,911	72,356
Other debt	2,925	4,387
Total debt	74,836	76,743
Other liabilities	99,655	95,756
Total liabilities	\$ 174,491	\$ 172,499
Shareholders' equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, no shares issued		
Common stock, \$.01 par value, 100,000,000 shares authorized, 42,550,290 and 42,726,577 shares issued, respectively(2)	425	427
Additional paid-in capital	70,851	73,861
Retained earnings	94,035	101,878
Accumulated other comprehensive income	10,305	12,650
Deferred compensation	(506)	
Treasury stock, at cost, 2,819,690 and 2,845,012 shares, respectively	(27,237)	(27,394)
Total shareholders' equity	\$ 147,873	\$ 161,422

(1) Includes debt discount of \$3,089,000 and \$2,645,000 as of December 31, 2006 and September 30, 2007, respectively.

(2) Excludes (i) 1,982,000 and 1,869,700 shares issuable upon exercise of options outstanding as of December 31, 2006 and September 30, 2007, respectively (having a weighted average exercise price of \$6.69 per share and \$6.62 per share, respectively), under our Employee Stock Option Plan, (ii) 510,257 and 472,867 shares issuable upon exercise of options outstanding as of December 31, 2006 and September 30, 2007, respectively (having a weighted average exercise price of \$7.16 per share and \$7.31 per share, respectively), under our 1993 Non-Employee Directors' Stock Option Plan and (iii) shares issuable upon conversion of the notes offered hereby.



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Our consolidated ratios of earnings to fixed charges for the years ended December 31, 2002, 2003, 2004, 2005 and 2006 and for the nine months ended September 30, 2007 are as follows:

	2002	2003	Year ended December 31,			Nine months ended September 30,
			2004	2005	2006	2007
Ratios of earnings to fixed charges(1)	2.29x	1.66x	1.37x	(1.52)x	(0.30)x	5.99x

(1) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before provision for income taxes plus equity income plus deferred fixed charges less capitalized interest, and fixed charges consist of interest expensed and capitalized, amortization of debt discount and deferred expenses related to indebtedness, write-off of deferred expenses related to indebtedness and the portion of rental expenses deemed to be representative of the interest factor attributable to leases for rental property. Fixed charges exceeded earnings by \$19.0 million and \$12.0 million in 2005 and 2006, respectively.

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**Risk factors**

The following information describes certain significant risks and uncertainties inherent in our business. Some of these risks are described below and in the documents incorporated by reference in this prospectus, and you should take these risks into account in evaluating us or any investment decision involving us or in deciding whether to purchase notes. This section does not describe all risks applicable to us, our industry or our business. You should carefully consider such risks and uncertainties, together with the other information contained herein and in the documents incorporated herein by reference, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could be harmed substantially and could differ materially from the plans, projections and other forward-looking statements included elsewhere herein and in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007.

**Risks relating to our business**

**Our pension plans are currently underfunded, and we expect to be subject to significant increases in pension contributions to our defined benefit pension plans, thereby restricting our cash flow.**

We sponsor various pension plans in the United States and Europe that are underfunded and require significant cash payments. We contributed \$2.4 million and \$9.2 million to our U.S. pension plans and \$2.1 million and \$2.2 million to our European pension plans in 2005 and 2006, respectively. We currently expect to be required to contribute approximately \$3.2 million to our U.S. pension plans and approximately \$2.3 million to our European pension plans in 2007. If our cash flow from operations is insufficient to fund our worldwide pension liability, we may be forced to reduce or delay capital expenditures, seek additional capital or restructure or refinance our indebtedness.

The funding status of our pension plans is determined using many assumptions, such as inflation, investment rates, mortality, turnover and discount rates, any of which could prove to be different than projected. If the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, we may be required to contribute more to our pension plans than we currently expect. For example, an approximate 25-basis point decline in the current liability interest rate, which is used under the Employee Retirement Income Security Act of 1974, or ERISA, for funding purposes, would increase our minimum required contribution to our U.S. pension plans by approximately \$0.9 million over the next three years.

Our pension plans in the aggregate are underfunded by approximately \$35 million as of December 31, 2006 (based on the actuarial assumptions used for FAS 87 purposes and comparing our projected benefit obligation to the fair value of plan assets) and require a certain level of mandatory contributions as prescribed by law. Our U.S. pension plans, which are underfunded by approximately \$18 million as of December 31, 2006, are subject to ERISA. In the event our U.S. pension plans are terminated for any reason while the plans are less than fully funded, we will incur a liability to the Pension Benefit Guaranty Corporation that may be equal to the entire amount of the underfunding at the time of the termination. In addition, changes

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in required pension funding rules that were affected by the enactment of the Pension Protection Act of 2006 will significantly increase our funding requirements beginning in 2008, which will have an adverse effect on our cash flow and could require us to reduce or delay our capital expenditures, seek additional capital or restructure or refinance our indebtedness. See Note 14 to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

**Our financial results could be adversely affected by an interruption of supply or an increase in coal prices.**

We use bituminous coal as the main raw material in our granular activated carbon production process. We estimate that coal will represent approximately 37% of our carbon product costs in 2007. We have various annual and multi-year contracts in place for the supply of coal that expire at various intervals from 2007 to 2011. Interruptions in coal supply caused by mine accidents, labor disputes, transportation delays, or other events for other than a temporary period could have an adverse effect on our being able to meet our customer demand. In addition, increases in the prices we pay for coal under our supply contracts could adversely affect our financial results by significantly increasing production costs. During 2006, our aggregate costs for coal increased by \$2.1 million, or 15.6%, compared to 2005. Based upon the estimated usage of coal in 2007, a hypothetical 10% increase in the price of coal would result in \$1.1 million of additional pre-tax expenses to us. Historically, we have generally not been able to pass through raw materials price increases to our customers, and we may in the future continue to be generally unable to do so.

**Our financial results could be adversely affected by shortages in energy supply or increases in energy costs.**

The prices for and availability of energy resources could be volatile as they are affected by political and economic conditions that are outside our control. We utilize natural gas as a key component in our activated carbon manufacturing process and have annual and multi-year contracts for the supply of natural gas at each of our major facilities. If shortages of or restrictions on the delivery of natural gas occur, production at our activated carbon facilities would be reduced, which could result in missed deliveries or lost sales. We also have exposure to fluctuations in energy costs as they relate to the transportation and distribution of our products. For example, natural gas prices have increased significantly in recent years. We may not be able to pass through natural gas and other fuel price increases to our customers.

**Increases in U.S. and European imports of Chinese manufactured activated carbon could have an adverse effect on our financial results.**

We historically have faced pressure and competition in our U.S. and European markets from brokers of low cost imported activated carbon products, primarily from China. We believe that we offer the market technically superior products and related customer support. However, Chinese products have become accepted as viable alternatives to our products because they frequently have been sold at less than fair value in the market. As a result, we have had to deal with significant price compression, which has contributed to a reduction in both our sales and profitability in recent years.

To combat the low-cost Chinese products, in March 2006, the Company participated in filing a petition with the U.S. Department of Commerce (the DOC) requesting the imposition of

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antidumping duties on all steam activated carbon imports from China. That petition was provisionally approved and duties were imposed beginning in October 2006.

In March 2007, the DOC's decision was supported by the International Trade Commission (the ITC), which determined that these unfairly priced steam activated carbon imports from China caused material injury to the U.S. activated carbon industry. This affirmative decision by the ITC triggered the imposition of significant antidumping duties in the form of cash deposits, ranging from 62% to 228%. The antidumping duties will be imposed for at least five years but are subject to periodic review and could be modified within that time frame. The significant antidumping duties imposed by the DOC and the affirmative decision by the ITC will have an adverse impact on the cost of Chinese manufactured activated carbon imported into the United States. However, the antidumping duties could be reduced or eliminated in the future, which could adversely affect demand or pricing for our product.

**Our inability to successfully negotiate new collective bargaining agreements upon expiration of the existing agreements could have an adverse effect on our financial results.**

We have collective bargaining agreements in place at four of our production facilities covering approximately 33% of our full-time workforce as of December 31, 2006. Those collective bargaining agreements expire from 2008 to 2010. Any work stoppages as a result of disagreements with any of the labor unions or our failure to renegotiate any of the contracts as they expire could disrupt production and significantly increase product costs as a result of less efficient operations caused by the resulting need to rely on temporary labor.

**We have operations in multiple foreign countries and, as a result, are subject to foreign exchange translation risk, which could have an adverse effect on our financial results.**

We conduct significant business operations in several foreign countries. Of our 2006 net sales, approximately 44% were sales to countries other than the United States, and 2006 net sales denominated in non-U.S. dollars represented approximately 32% of our overall net sales. We conduct business in the local currencies of each of our foreign subsidiaries or affiliates. Those local currencies are then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. Changes in exchange rates, particularly the strengthening of the U.S. dollar, could significantly reduce our sales and profitability from foreign subsidiaries or affiliates from one period to the next as local currency amounts are translated into fewer U.S. dollars.

**Our European and Japanese activated carbon businesses are sourced from both the United States and China, which subjects these businesses to foreign exchange transaction risk.**

Our only production facilities for virgin granular activated carbon are in the United States and China. Those production facilities are used to supply all of our global demand for virgin granular activated carbon. All of our foreign operations purchase from the U.S. operations in U.S. dollars, yet sell in local currency, resulting in foreign exchange transaction risk. We generally execute foreign currency derivative contracts of not more than one year in duration to cover a portion of our known or projected foreign currency exposure. However, those contracts do not protect us from longer-term trends of a strengthening U.S. dollar, which could significantly increase our cost of activated carbon delivered to our European and Japanese markets, and we may not be able to offset these costs by increasing our prices.

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**Our business includes capital equipment sales which could have extreme fluctuations due to the cyclical nature of that type of business.**

Our Equipment segment represented approximately 12% of our net sales for 2006. This business generally has a long project life cycle from bid solicitation to project completion and often requires customers to make large capital commitments well in advance of project execution. In addition, this business is usually affected by the general health of the overall economy. As a result, sales and earnings from the Equipment segment could be volatile.

**We could find it difficult to fund the capital needed to complete our growth strategy due to borrowing restrictions under our current credit facility.**

We are extended credit under our current credit facility, subject to compliance with certain financial covenants. For example, our current credit facility contains various affirmative and negative covenants, including limitations on us with respect to our ability to pay dividends, make loans, incur indebtedness, grant liens on our property, engage in certain mergers and acquisitions, dispose of assets and engage in certain transactions with our affiliates. Borrowing availability under our current credit facility is based on the value, from time to time, of certain of our accounts receivable, inventory and equipment. As a result, these restrictions may prevent us from being able to borrow sufficient funds under our current credit facility to meet our future capital needs, and alternate financing on terms acceptable to us may not be available.

We had to amend our prior revolving credit facility several times in order to cure violations or remain compliant as financial results have declined. Through September 30, 2006, we were in default of our prior revolving credit facility as a result of a violation of a financial covenant and were required to reclassify the borrowings outstanding under our prior revolving credit facility as short-term debt. During the period of default, the lenders had the right to accelerate the debt. In addition, under our current credit facility, we obtained covenant default waivers to extend the dates upon which audited financial statements for our fiscal year ended December 31, 2006 and our financial plan information had to be provided to our lenders due to delays in filing our Annual Report on Form 10-K. We may have similar issues in the future with respect to our current revolving credit facility. If our liquidity remains constrained for more than a temporary period, we may need to either delay certain strategic growth projects or access higher cost capital markets in order to fund our projects, which may adversely affect our financial results.

**Our required capital expenditures may exceed our estimates.**

Our capital expenditures were \$12.9 million in 2006, primarily including improvements to our manufacturing facilities, repair of our Pearl River manufacturing facility as a result of damage sustained from Hurricane Katrina and equipment to be utilized in our service business. Of the amount spent on capital expenditures in 2006, \$2.3 million was funded by insurance proceeds obtained from a settlement with our insurance carrier related to damage sustained from Hurricane Katrina. Future capital expenditures may be significantly higher and may vary substantially if we are required to undertake certain actions to comply with new regulatory requirements or compete with new technologies. We may not have the capital to undertake these capital investments. If we are unable to do so, we may not be able to effectively compete.



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**Our financial results could be adversely affected by the continued idling of one of our reactivation facilities.**

In January 2006, we announced the temporary idling of our reactivation facility in Blue Lake, California. It currently is our intention to resume operation of the plant in the future as market conditions warrant it. If we should determine not to restart the plant, operating results would be adversely affected by the resulting impairment charges of approximately \$1.1 million.

**Declines in the operating performance of one of our business segments could result in an impairment of the segment's goodwill.**

As of September 30, 2007, we had consolidated goodwill of approximately \$28.0 million recorded in our business segments, primarily from our Activated Carbon and Service and Equipment segments. We test our goodwill on an annual basis, or when an indication of possible impairment exists, in order to determine whether the carrying value of our assets is still supported by the fair value of the underlying business. To the extent that it is not, we are required to record an impairment charge to reduce the asset down to fair value. For the year ended December 31, 2006, we recorded a \$6.9 million impairment charge associated with our acquisition of our UV equipment reporting unit, principally as a result of the fourth quarter decision by the Federal Court of Canada, which found that our patent for the use of ultraviolet light to prevent infection from Cryptosporidium in drinking water is invalid. As a result, our estimate of future royalty income used in determining the fair value of the reporting unit declined substantially from the prior year. A decline in the operating performance of any of our business segments or the sale of a business at an amount less than book value could result in a goodwill impairment charge which could have a material effect on our financial results.

**Delays in enactment of new state or federal regulations could restrict our ability to reach our strategic growth targets and lower our return on invested capital.**

Our strategic growth initiatives are reliant upon more restrictive environmental regulations being enacted for the purpose of making water and air cleaner and safer. If stricter regulations are delayed or are not enacted or enacted but subsequently repealed or amended to be less strict, or enacted with prolonged phase-in periods, our sales growth targets could be adversely affected and our return on investor capital could be reduced.

For example, stricter regulations surrounding the treatment of Cryptosporidium and other disease causing microorganisms in drinking water, as addressed by the EPA's promulgation of the Long Term 2 Enhanced Surface Water Treatment Rule ( LT2 ), were expected to be effective as of the fourth quarter of 2004. LT2 was not ultimately published in the Federal Register until January 2006, thus delaying municipalities' requirements for testing and any subsequent need to fund a plan for remediation by over a year. The effect has been a delay in the timing of the expected growth for our UV equipment business.

**Our industry is highly competitive. If we are unable to compete effectively with competitors having greater resources than we do, our financial results could be adversely affected.**

Our activated carbon business faces significant competition from Norit N.V., MeadWestvaco Corporation and Siemens Water, together with Chinese producers. Our UV technology products face significant competition from Trojan Technologies, Inc., which is owned by Danaher Corporation, and Wedeco Ideal Horizons, which is owned by ITT Industries. In each case, our

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competitors include major manufacturers and diversified companies, a number of which have revenues and capital resources exceeding ours, which they may use to develop more advanced or more cost-effective technologies, increase market share or leverage their distribution networks. We may experience reduced net sales as a result of having fewer resources than these competitors.

**Encroachment into our markets by competitive technologies could adversely affect our financial results.**

Activated carbon is utilized in various applications as a cost effective solution for solving customer problems. If other competitive technologies, such as membranes, ozone and UV, are advanced to the stage in which such technologies could effectively compete with activated carbon technologies, we could experience a decline in net sales, which could adversely affect our financial results.

**Failure to innovate new products or applications could adversely affect our ability to meet our strategic growth targets.**

Part of our strategic growth and profitability plans involve the development of new products or new applications for our current products in order to replace more mature products or markets that have seen increased competition. If we are unable to develop new products or applications, our financial results could be adversely affected.

**A planned or unplanned shutdown at one of our production facilities could have an adverse effect on our financial results.**

We operate multiple facilities, and source product from strategic partners who operate facilities, which are close to water or in areas susceptible to earthquakes. An unplanned shutdown at any of our or our strategic partners facilities for more than a temporary period as a result of a hurricane, typhoon, earthquake or other natural disaster, or as a result of fire, explosions, war, terrorist activities, political conflict or other hostilities, could significantly affect our ability to meet our demand requirements, thereby resulting in lost sales and profitability in the short-term or eventual loss of customers in the long-term. In addition, a prolonged planned shutdown of any of our production facilities due to a change in business conditions could result in impairment charges that could have an adverse impact on our financial results.

A recent example of an unplanned shutdown of one of our production facilities is the shutdown of our Pearl River facility in Pearlinton, Mississippi due to damage caused by Hurricane Katrina in August 2005. The plant did not become operational again until November 2005 and was not operating again at full capacity until January 2006. Certain customer shipments were either delayed or cancelled during the plant outage, the consequences of which adversely affected us during 2006. We estimated our pre-tax business interruption losses during 2005 and 2006 to be approximately \$4.4 million in the aggregate due to the effect of the unplanned shutdown of the Pearl River facility.

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**We hold a variety of patents that give us a competitive advantage in certain markets. An inability to defend those patents from competitive attack could have an adverse effect on both current results and future growth targets.**

From time to time in the course of our business, we have to address competitive challenges to our patented technology. We are currently in litigation in multiple jurisdictions to defend our process patent for the use of ultraviolet light in the prevention of infection from Cryptosporidium and Giardia in drinking water. In June 2006, the U.S. District Court for the District of New Jersey granted the plaintiff Wedeco Ideal Horizons, Inc.'s motion for summary judgment, holding that our patent was invalid. We appealed this ruling. On April 24, 2007, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's judgment that was appealed. We are currently evaluating our options. In another case, we filed suit in Canada, alleging that the defendants are practicing the method claimed in our patent without a license. In November 2006, the Federal Court of Canada entered a judgment after trial, finding that our process patent for the use of ultraviolet light to prevent infection from Cryptosporidium and Giardia in drinking water is invalid. In March 2007, we and Trojan Technologies, the defendant, entered into a settlement whereby, in exchange for a nominal cash payment and relief of legal fees, we granted Trojan Technologies worldwide immunity from all current and future legal action related to our UV patents.

Finally, certain competitors have opposed our process patent for the use of ultraviolet light in the prevention of infection from Cryptosporidium and Giardia in drinking water in Germany.

Further descriptions of these cases can be found under the heading "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which is incorporated by reference in this prospectus. An unfavorable outcome in any of these cases could impair our ability to capitalize on substantial future revenues from the licensing of that technology.

We have incurred significant legal fees and expenses in litigating these matters. For example, legal expenses related to these patent litigation matters totaled approximately \$4.7 million in 2006 and \$0.4 million during the nine months ended September 30, 2007. We may be required to incur additional significant legal expenses to defend our intellectual property in the future.

Furthermore, these legal disputes over our UV patents may adversely affect our business and growth prospects because they may suppress overall demand for UV equipment as municipalities may decide to wait for the completion of the litigation to resolve the resulting uncertainties before making investment decisions.

**Our products may infringe the intellectual property rights of others, which may cause us to pay unexpected litigation costs or damages or prevent us from selling our products.**

Although it is our intention to avoid infringing or otherwise violating the intellectual property rights of others, our products may infringe or otherwise violate the intellectual property rights of others. We may be subject to legal proceedings and claims, including claims of alleged infringement by us of the patents and other intellectual property rights of third parties. Intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim.

If we were to discover or be notified that our products potentially infringe or otherwise violate the intellectual property rights of others, we may need to obtain licenses from these parties or substantially re-engineer our products in order to avoid infringement. We might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer our



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products successfully. Moreover, if we are sued for infringement and lose the suit, we could be required to pay substantial damages and/or be enjoined from using or selling the infringing products. Any of the foregoing could cause us to incur significant costs and prevent us from selling our products.

**Environmental compliance and remediation could result in substantially increased capital requirements and operating costs.**

Our production facilities are subject to environmental laws and regulations in the jurisdictions in which they operate or maintain properties. Costs may be incurred in complying with such laws and regulations. Each of our domestic production facilities require permits and licenses issued by local, state and federal regulators which regulate air emissions and water discharges. These permits are subject to renewal and, in some circumstances, revocation. International environmental requirements vary and could have substantially lesser requirements that may give competitors a competitive advantage. Additional costs may be incurred if environmental remediation measures are required. In addition, the discovery of contamination at any of our current or former sites or at locations at which we disposed of waste may expose us to cleanup obligations and other damages. For example, we and the Pennsylvania Department of Environmental Protection ( PADEP ) recently agreed to settlement terms with respect to a demand by the PADEP for response costs relating to a site in Allegheny County, Pennsylvania, requiring us to pay an aggregate of \$515,000. We paid the settlement in 2007. We received Notices of Violation (each an NOV ) from the U.S. Environmental Protection Agency in January 2007 and the Kentucky Department of Environmental Protection in July 2007. If the result of the NOV s are is unfavorable for us, they could have a significant impact on our financial results. If we receive similar demands in the future, we may incur significant costs in connection with the resolution of those matters.

**Our international operations expose us to political and economic uncertainties and risks from abroad, which could negatively affect our results of operations.**

We have manufacturing facilities and sales offices in Europe, China, Japan and the United Kingdom which are subject to economic conditions and political factors within the respective countries which, if changed in a manner adverse to us, could negatively affect our results of operations and cash flow. Political factors include, but are not limited to, taxation, nationalization, inflation, currency fluctuations, increased regulation and quotas, tariffs and other protectionist measures. Approximately 85% of our sales in 2006 were generated by products sold in the United States, Canada and Western Europe, while the remaining sales were generated in other areas of the world, such as Asia, Eastern Europe and Latin America.

**We face risks in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and any related remedial measures that we may undertake.**

During 2005 and 2006, we identified and subsequently remediated two material weaknesses in our internal controls. If we are unable to effectively remediate any other material weaknesses or significant deficiencies in internal control over financial reporting that are identified in the future and to assert that disclosure controls and procedures, including internal control over financial reporting, are effective in any future period, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price and potentially subject us to litigation. In addition, we may be required to incur

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additional costs including but not limited to the hiring of additional personnel to improve our existing internal control system.

**We have significant domestic and foreign net operating tax loss and credit carryforwards which, if they are not utilized, would have an adverse effect on our financial results.**

As of December 31, 2006, we had \$22.9 million of deferred tax assets associated with net operating loss carryforwards ( NOLs ) and tax credit carryforwards that were generated from both our domestic and foreign operations. We have a valuation allowance of \$5.7 million for these deferred tax assets when it is deemed more likely than not that a portion of these deferred tax assets will not be realized. If we do not meet our projections of profitability in the future, we may not be able to realize these NOLs or tax credits, and we may be required to record an additional valuation allowance, which would adversely affect our financial results. In addition, if some or all of these NOLs or tax credits expire, they will not be available to offset our tax liability.

**Our ability to utilize our NOLs and certain other tax attributes may be limited.**

As of December 31, 2006, we had NOLs of approximately \$20.0 million for federal income tax purposes and approximately \$75.7 million for state income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an ownership change, the corporation's ability to use its pre-change NOLs and other pre-change tax attributes to offset its post-change income may be limited. An ownership change is generally defined as a greater than 50% change in its equity ownership by value over a three-year period. We may experience an ownership change in the future as a result of subsequent shifts in our stock ownership. If we were to trigger an ownership change in the future, our ability to use any NOLs existing at that time could be limited.

**Risks related to the notes and our common stock**

**Although the notes are referred to as senior notes, the notes are effectively junior to the rights of our and our subsidiary guarantors existing and future secured creditors and effectively subordinated to the existing and future indebtedness and other liabilities of our non-guarantor subsidiaries.**

The notes are our general, unsecured senior obligations and rank equally in right of payment with all of our existing and future unsecured senior indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness. The notes are effectively junior to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the notes are effectively subordinated to all existing and future liabilities of our non-guarantor subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations.

The notes are guaranteed on a senior unsecured basis by certain of our domestic subsidiaries, which we refer to as the subsidiary guarantors. The subsidiary guarantees are general unsecured senior obligations of the subsidiary guarantors and rank equally in right of payment with any existing and future senior indebtedness of the subsidiary guarantors. Our non-guarantor subsidiaries have no obligation to pay any amounts due on the notes and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Our right to receive any assets of any of our non-guarantor subsidiaries upon

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their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, is subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

Holders of our existing indebtedness have, and future secured indebtedness will have, claims that are senior to your claims as holders of the notes, to the extent of the value of the assets securing such indebtedness. The notes are effectively junior to existing secured financings and any future secured indebtedness incurred by us. As a result, in the event of any distribution or payment of our assets in any bankruptcy, liquidation or dissolution, holders of secured indebtedness will have prior claim to those assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As of September 30, 2007, we and the subsidiary guarantors had outstanding approximately \$75.3 million of indebtedness secured by assets and ranking senior to the notes to the extent of the value of the assets securing the indebtedness, and our non-guarantor subsidiaries had approximately \$29.7 million in liabilities.

**Federal or state laws allow courts, under specific circumstances, to void debts, including subsidiary guarantees, and could require holders of notes to return payments received from us and the subsidiary guarantors.**

Under federal bankruptcy law and comparable provisions of state fraudulent transfer laws, if a subsidiary guarantor becomes a debtor in a case under the U.S. Bankruptcy Code or suffers other financial difficulty, a court might avoid (that is, cancel) its guarantee. A court might do so if it found that

the subsidiary received less than reasonably equivalent value or fair consideration for the incurrence of such debt or subsidiary guarantee; and

when the subsidiary entered into its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee), it either:

was or was rendered insolvent;

was left with inadequate capital to conduct its business; or

believed or should have believed that it would incur debts beyond its ability to pay such debts as they mature.

A court might also avoid a subsidiary's guarantee, without regard to these factors, if it found that the subsidiary entered into its guarantee with actual intent to hinder, delay or defraud its creditors.

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The measure of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a court would consider an entity insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair salable value of all of its assets;

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

it could not pay its debts as they become due.

We cannot be sure as to the standards that a court would use to determine whether or not the subsidiary guarantors were solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the subsidiary guarantees would not be voided or subordinated to the subsidiary guarantors' other debt.

If the subsidiary guarantees were legally challenged, they could also be subject to the claim that, since they were incurred for our benefit, and only indirectly for the benefit of the subsidiary guarantors, the obligations of the subsidiary guarantors were incurred for less than fair consideration.

A court could thus void the obligations under the subsidiary guarantees or subordinate the subsidiary guarantees to the subsidiary guarantors' other debt or take other action detrimental to holders of the notes.

**We may not have sufficient funds necessary to settle conversion of the notes or to purchase the notes upon a fundamental change or other purchase date, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes.**

Upon conversion of the notes, we will be required to pay a settlement amount in cash and shares of our common stock, if any, based upon a 25 trading-day observation period. In addition, on August 15, 2011, August 15, 2016 and August 15, 2026, holders of the notes may require us to purchase their notes for cash. Holders may also require us to purchase their notes upon a fundamental change, as described under "Description of notes - Fundamental change permits holders to require us to purchase notes." A fundamental change may also constitute an event of default, and result in the effective acceleration of the maturity of our then-existing indebtedness under our existing revolving credit facility or other indebtedness we have may in the future, including under our new revolving credit facility.

Further, we cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the notes tendered by the holders in cash. Our ability to pay the settlement amount in cash, or the purchase price or fundamental change purchase price for the notes in cash, will be subject to limitations we may have in our credit facilities, or any other indebtedness we may have in the future. If you convert your notes or require us to purchase them, we may seek the consent of our lenders or attempt to refinance our debt, but there can be no assurance that we will be able to do so.

At September 30, 2007, the conversion option described under "Description of notes - Conversion rights - Conversion upon satisfaction of sale price condition" was triggered



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based on the trading price of our common stock during the last 30 trading days of the quarter ended September 30, 2007. As such, holders of notes have the right to convert their notes during the quarter ending December 31, 2007. On May 29, 2007, we amended our credit agreement to include a provision whereby we may pay up to an aggregate of \$10 million in cash to (i) repurchase, redeem, retire or otherwise acquire shares of our common stock or (ii) settle the conversion of notes under certain circumstances without such payments constituting an event of default under the credit agreement. As of the date of this prospectus, no such payments have been made. As a result, a portion of the aggregate principal amount of outstanding notes above this \$10 million amount was classified as current debt.

Failure by us to pay the settlement amount upon conversion or purchase the notes when required will result in an event of default with respect to the notes, which may also result in a default under existing and future agreements governing our indebtedness. If the repayment of such indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and the notes.

**The conditional conversion feature of the notes until June 15, 2011 could result in your receiving less than the value of our common stock into which a note would otherwise be convertible and may impact the trading price of the notes and make them more difficult to resell.**

Prior to June 15, 2011, the notes are convertible into cash and shares of our common stock, if applicable, only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the cash and common stock into which the notes would otherwise be convertible. In addition, an inability to convert may adversely affect the trading price of the notes and/or the resaleability of the notes.

**The value of consideration received by holders upon conversion of the notes may be less than the conversion value of the notes on the conversion date.**

Upon conversion, we will pay cash and deliver shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 25 trading day observation period. Accordingly, upon conversion of a note, you may receive less proceeds than you expected because the value of our common stock may decline between the conversion date and the day the settlement amount of your notes is determined. In addition, because of the 25 trading day observation period, settlement will generally be delayed until at least the 30th trading day following the related conversion date. See [Description of notes](#) [Conversion rights](#) [Settlement upon conversion](#).

**Under certain circumstances, upon conversion you will not receive the settlement amount until after maturity.**

If you convert after the 30th trading day immediately preceding the maturity date, you will not receive the settlement amount until after the maturity date. In addition, if you convert on or prior to the 30th trading day immediately preceding the maturity date, you may not receive the settlement amount until after the maturity date, depending on whether a market disruption event occurs on one or more trading days during the 25 trading day observation period.

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**The notes do not restrict our ability to take certain actions that could adversely affect the trading price of the notes.**

Neither we nor our subsidiaries are restricted under the notes from incurring additional debt (including secured debt), incurring liens, paying dividends, issuing or repurchasing securities or entering into transactions with our affiliates. In addition, the indenture governing the notes does not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take other actions that are not limited by the notes could have the effect of diminishing our ability to make payments on the notes when due.

**We may issue additional shares of our common stock or other equity and thereby adversely affect the market price of our common stock and the trading price of the notes.**

Except as described under Plan of Distribution, we are not restricted from issuing additional shares of our common stock, or securities convertible into or exchangeable for our common stock, during the life of the notes and have no obligation to consider your interests for any reason. If we issue additional shares of our common stock or such convertible or exchangeable securities, it may adversely affect the market price of our common stock and, in turn, the trading price of the notes. In addition, it may impair our ability to raise capital through the sale of additional equity securities.

**The trading price of the notes could be adversely affected by the market price of our common stock, which has historically experienced significant volatility.**

Because the notes are convertible based on our common stock, we expect that in general the trading price of the notes will be significantly affected by the market price of our common stock. The market price of our common stock has historically experienced significant fluctuations. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors, including the other risk factors discussed elsewhere in Risk factors and Forward-looking statements. Volatility or depressed market prices of our common stock could result in volatility or depressed trading prices of the notes, could limit the amount of cash and shares of our common stock, if any, deliverable upon conversion of the notes, and could make it difficult for you to resell the notes (or shares of common stock, if any, issued upon conversion) when you want or at attractive prices.

**The adjustments to the conversion rate do not cover all dilutive events that may adversely affect the trading price of the notes.**

The conversion rate is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers as described under Description of notes Conversion rights Conversion rate adjustments. However, the conversion rate will not be adjusted for certain other events, such as an issuance of common stock for cash or in connection with acquisition, that may adversely affect the market price of our common stock. If any of these other events adversely affects the market price of our common stock, it may also adversely affect the trading price of the notes.

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**Because your right to require purchase of the notes upon a fundamental change is limited, the trading price of the notes may decline if we enter into a transaction that does not constitute a fundamental change under the indenture.**

Upon the occurrence of a fundamental change (as defined under Description of notes Fundamental change permits holders to require us to purchase notes ), you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to purchase the notes. In the event of any such transaction, the holders would not have the right to require us to purchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the trading price of the notes.

**The adjustment to the conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate you.**

If a specified corporate transaction that constitutes certain fundamental changes occurs prior to August 15, 2011 with respect to notes converted in connection with such transaction, we will increase the conversion rate by a number of additional shares of our common stock unless the price paid per share of our common stock in such transaction is less than \$4.25 per share (subject to adjustment) or above \$17.25 (subject to adjustment). A description of how the increase in the conversion rate will be determined is set forth under Description of notes Conversion Rights Adjustments to shares delivered upon conversion upon certain fundamental changes.

Although the increase in the conversion rate is designed to compensate you for the lost value of your notes as a result of such transaction, it may not adequately compensate you for such loss. Furthermore, our obligation to increase the conversion rate in connection with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

**There is currently no public market for the notes, and an active trading market may not develop for the notes. The failure of a market to develop for the notes could adversely affect the liquidity and value of your notes.**

We originally sold the notes to a limited number of investors in a private offering in reliance on an exemption from registration under U.S. federal and applicable state securities laws, and we are now registering the notes, the related guarantees and the common stock issuable upon conversion of the notes for resale by the selling securityholders. There is no public market for the notes. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes on any automated dealer quotation system. Although the notes originally issued in the private offering are eligible for trading in The PORTAL<sup>sm</sup> Market, the notes sold pursuant to this prospectus will no longer be eligible for trading in The PORTAL<sup>sm</sup> Market. Despite our registering the notes for resale under the Securities Act, a market may not develop for the notes, and there can be no assurance as to the liquidity of any market that may develop for the notes once the securityholders are able to freely resell the notes. If an active, liquid market does not develop for the notes, the market price and liquidity of the notes may be adversely affected. If any of the notes are traded, they may trade at a discount from their initial offering price.

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The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt securities has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

**If we pay a cash dividend on our common stock, you may be deemed to have received a taxable dividend without the receipt of any cash.**

If we pay a cash dividend on our common stock, an adjustment to the conversion rate may result, and you may be deemed to have received a taxable dividend subject to United States federal income tax without the receipt of any cash. If you are a non-U.S. holder (as defined in Material U.S. federal income and estate tax consequences ), such deemed dividend may be subject to U.S. federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. See Material U.S. federal income and estate tax consequences.

**If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.**

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will only have rights with respect to our common stock if and when we deliver shares of our common stock to you upon conversion of your notes, and, to a limited extent, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers or rights of our common stock.

**The fundamental change provisions may delay or prevent an otherwise beneficial takeover attempt of our company.**

The fundamental change provisions, including the fundamental change purchase right and the provisions requiring an increase in the conversion rate for conversions in connection with certain fundamental changes, may in certain circumstances delay or prevent a takeover of our company and the removal of incumbent management that might otherwise be beneficial to investors.

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**Our stockholder rights plan and our certificate of incorporation and bylaws and Delaware law contain provisions that may delay or prevent an otherwise beneficial takeover attempt of our company.**

Our stockholder rights plan and certain provisions of our certificate of incorporation and bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These include provisions:

providing for a board of directors with staggered, three-year terms;

requiring super-majority voting to affect certain amendments to our certificate of incorporation and bylaws;

limiting the persons who may call special stockholders meetings;

limiting stockholder action by written consent;

establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholders meetings; and

allowing our board of directors to issue shares of preferred stock without stockholder approval.

These provisions, along or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of our common stock, or could limit the ability of our stockholders to approve transactions that they may deem to be in their best interests.

**An adverse rating of the notes may adversely affect the trading price of the notes.**

We do not intend to seek a rating on the notes. However, if the notes are rated in the future and one or more rating agencies assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the trading price of the notes and our common stock could be adversely affected.

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**Forward-looking statements**

This prospectus includes or incorporates by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These statements include statements regarding our plans, goals or current expectations with respect to, among other things:

our future operating performance;

operating cash flows and availability of capital;

the completion of future acquisitions;

capital expenditures;

business trends in our industry, including customer demand, interest rates and changes in industry-wide inventory levels; and

availability of financing for inventory and working capital.

Any such forward-looking statements are not assurances of future performance and involve risks and uncertainties. Actual results may differ materially from anticipated results in the forward-looking statements for a number of reasons, including:

the future worldwide economic environment, including interest rates and the prices of natural gas and coal, may affect the demand for our product and services;

adverse international developments such as war, terrorism, political conflicts or other hostilities may adversely affect the demand for our products and services;

the future regulatory environment, unexpected litigation or adverse legislation, including changes in worldwide environmental and drinking water regulations, may impose additional costs on us or otherwise adversely affect us;

our operations may not perform at expected levels or achieve expected improvements;

we may fail to achieve expected future cost savings, or future costs may be higher than we expect;

available capital resources and various debt agreements may limit our ability to complete acquisitions or complete capital expenditure projects;

our cost of financing could increase significantly;

new accounting standards could materially impact our reported financial results;

we may be unable to complete acquisitions in the future;

we may not be able to adjust our cost structure to offset any reduction in the demand for our products and services;

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we may lose key personnel and not be able to replace them in a timely fashion, or at all;

competitors may gain market share; and

insurance costs could increase significantly and all of our losses may not be covered by insurance.

The information contained in this prospectus, including the information set forth under the heading Risk factors, identifies factors that could affect our operating results and performance. We urge you to carefully consider those factors and other factors described from time to time in our public reports, which are available as described under the heading Available Information.

All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. We undertake no responsibility to update our forward-looking statements.

**Use of proceeds**

We will not receive any proceeds from any sale by any selling securityholder of the notes, including the related guarantees, or the shares of common stock issuable upon conversion of the notes that are covered by this prospectus.

**Description of certain indebtedness**

**Revolving credit facility**

**General**

Concurrently with the issuance of the notes, we and certain of our subsidiaries entered into a new senior secured revolving credit facility with a five-year term. This revolving credit facility, the material terms of which are described below, initially was a \$50 million facility and includes a separate U.K. sub-facility and a separate Belgian sub-facility. In February 2007, the total revolving credit commitment was increased to \$55 million. Our prior revolving credit facility was repaid concurrently with the issuance of the notes and the closing of the new revolving credit facility.

We filed the credit agreement evidencing the new revolving credit facility and an amendment to the credit agreement with the SEC after they were executed in accordance with applicable SEC rules. You should refer to that credit agreement and that amendment for the definitive terms of the revolving credit facility. To the extent that the terms contained in that credit agreement and that amendment are inconsistent with the terms of the revolving credit facility described in this prospectus, the terms set forth in the credit agreement and the amendment as filed with the SEC will govern the revolving credit facility. You may obtain a copy of this credit agreement and this amendment by the means described under Available information.



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### **Co-borrower**

Calgon Carbon Investments, Inc., one of our domestic subsidiaries, is a co-borrower under the revolving credit facility with respect to domestic borrowings.

### **Guarantors**

Certain of our domestic subsidiaries unconditionally guarantee all indebtedness and obligations related to domestic borrowings under the revolving credit facility and borrowings under the Belgian sub-facility. Calgon Carbon Corporation and certain of our domestic subsidiaries also unconditionally guarantee all indebtedness and obligations under the U.K. sub-facility.

### **U.K. sub-facility**

Chemviron Carbon Ltd., Waterlink UK Holdings Ltd., Sutcliffe Speakman Ltd., Lakeland Processing Ltd. and Charcoal Cloth International Ltd., five of our U.K. subsidiaries, are borrowers under the U.K. sub-facility and unconditionally guarantee all indebtedness and obligations under the U.K. sub-facility.

### **Collateral**

Domestic borrowings, as well as the obligations of Calgon Carbon Corporation and certain of our domestic subsidiaries as guarantors, are secured by a first perfected security interest in substantially all of our assets, with limitations in certain circumstances in the case of capital stock of foreign subsidiaries and certain real property. Borrowings under the U.K. sub-facility are secured by a first perfected security interest in substantially all of our U.K. assets.

### **Borrowing availability**

Availability for domestic borrowings under the revolving credit facility is based upon the value of eligible accounts receivable, eligible inventory and eligible equipment. Domestic borrowings initially were subject to a \$50 million borrowing limit, which was increased to \$55 million. The U.K. sub-facility is subject to a \$12 million sub-limit, with availability based on the value of eligible U.K. accounts receivable and eligible U.K. inventory. The borrowing base for the Belgian sub-facility is subject to a \$6 million sub-limit, with availability based on the value of eligible Belgian accounts receivable. In each case, the borrowing base may be reduced by the amount of reserves established by the administrative agent or J.P. Morgan Europe Limited, the European administrative agent under the revolving credit facility, as applicable, in its discretion. Availability under the revolving credit facility is conditioned upon the satisfaction of various customary conditions precedent.

### **Letters of credit**

We are able to issue up to \$20 million of letters of credit under the revolving credit facility. Sub-limits for letters of credit under the U.K. sub-facility and the Belgian sub-facility are \$2.0 million and \$6.0 million, respectively.

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### **Interest rates**

Domestic borrowings under the revolving credit facility bear interest, at our option, at an annual rate equal to (i) the greater of (A) the prime rate or (B) the federal funds rate plus 0.50%, in either case plus a margin of 0.50% if the average monthly domestic borrowing availability is less than \$15.0 million, or (ii) at rate based on LIBOR, plus a margin ranging from 1.25% to 2.25%, based on the average monthly domestic borrowing availability.

Non-U.S. borrowings bear interest at a rate based on LIBOR or EURIBOR, plus a margin ranging from 1.25% to 2.25%, based on the average monthly domestic borrowing availability.

### **Voluntary prepayments**

We are permitted to voluntarily prepay amounts outstanding under the new revolving credit facility, in whole or in part, without premium or penalty, upon prior written notice.

### **Covenants**

The revolving credit facility contains customary affirmative and negative covenants for credit facilities of this type, including limitations on our ability to, among other things:

incur additional indebtedness, subject to certain exceptions, such as indebtedness in an aggregate principal amount not exceeding \$5 million to finance capital expenditures, unsecured indebtedness in an aggregate principal amount not exceeding \$5 million at any given time and indebtedness in respect of the notes;

incur additional liens, subject to certain exceptions, such as liens on fixed or capital assets under certain circumstances;

engage in mergers or consolidations where we are not the surviving entity, or to liquidate or dissolve;

engage in new businesses;

make additional investments, loans, advances, or guarantees, subject to certain exceptions and amount limitations;

sell, transfer, lease or dispose of any assets, subject to certain exceptions, such certain sales in the ordinary course of business and certain dispositions;

engage in sale and leaseback transactions;

enter into swap agreements, subject to certain exceptions;

declare or pay cash dividends or make other restricted payments, subject to certain exceptions, such as dividends declared and paid by our subsidiaries, cash dividends paid by us in an amount not to exceed \$6.0 million in the aggregate during any fiscal year if certain conditions are met and restricted payments pursuant to stock compensation or other benefit plans;

enter into transactions with our affiliates, subject to certain exceptions, such as transactions in the ordinary course of business on arm s-length terms; and

amend or waive rights under our certificate of incorporation or by-laws, the documentation governing any material indebtedness or the indenture governing the

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notes if any such amendment or waiver would be adverse to the lenders under the revolving credit facility.

The revolving credit facility also contains a minimum fixed charge coverage ratio requirement that requires that our fixed charge coverage ratio be not less than 1.10 to 1.00, on a rolling four-quarters basis, commencing with the last day of the fiscal quarter during which availability for domestic borrowing under the revolving credit facility for the first time is less than \$11.0 million. We are currently in compliance with the aforementioned covenants as of the date of this prospectus.

**Events of default**

The revolving credit facility provides for customary events of default in credit facilities of this type, including:

failure to pay any amount under the new revolving credit facility when such amount becomes due and payable;

material breach of the representations or warranties made in connection with the credit agreement evidencing the revolving credit facility;

failure to observe or perform any covenant contained in the credit agreement evidencing the revolving credit facility;

failure to make any payment in respect of any material indebtedness when such amount becomes due and payable;

the occurrence of an event enabling or permitting the acceleration of the scheduled maturity of any material indebtedness; provided that we may pay up to an aggregate of \$10 million in cash to (i) repurchase, redeem, retire or otherwise acquire shares of our common stock or (ii) settle the conversion of notes under certain circumstances without such payments constituting an event of default under our revolving credit facility.

events of bankruptcy, whether voluntary or involuntary;

entry of one or more judgments against us for the payment of money in an aggregate amount in excess of \$2.5 million where the one or more judgments remain undischarged for a period of 30 consecutive days during which execution is not effectively stayed;

a change of control, as defined in the credit agreement evidencing the revolving credit facility;

any guaranty under the revolving credit facility fails to remain in full force or effect or any action is taken to discontinue or assert the invalidity or unenforceability of any such guaranty;

any collateral document related to the revolving credit facility fails to create a valid and perfected first priority security interest in any collateral purported to be covered by such collateral document;

any event or condition occurs which, in the reasonable judgment of the administrative agent, would reasonably be expected to have a material adverse effect on us; and

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the occurrence of any fundamental change described in this prospectus under Description of notes Fundamental change permits holders to require us to purchase notes.

**Fees**

We pay a monthly commitment fee equal to 0.375% per annum on the average daily unused portion of the maximum commitment amount under the revolving credit facility. We also pay a participation fee of a percentage of the face amount of each letter of credit issued, with the percentage ranging from 1.25% to 2.25% based on the average monthly domestic borrowing availability, and a fronting fee equal to 0.125% of the face amount of each letter of credit issued.

**Industrial revenue bonds**

We owed \$2.9 million at September 30, 2007 under Mississippi Industrial Revenue Bonds, which bear interest at a variable rate and mature in May 2009. The interest rate under these bonds as of September 30, 2007 was 3.97%. These bonds were issued to finance certain equipment acquisitions at our Pearl River, Mississippi plant. We were in compliance with all relevant covenants contained in our debt agreements relating to these bonds as of September 30, 2007.

**Belgian credit facility**

We maintain a Belgian credit facility totaling 4.0 million Euros which is secured by a U.S. letter of credit provided under our revolving credit facility. There are no financial covenants, and we had no outstanding borrowings under the Belgian credit facility as of September 30, 2007. Bank guarantees of 0.8 million Euros were issued as of September 30, 2007. The maturity date of this facility is December 15, 2007. Availability under this facility was 3.2 million Euros at September 30, 2007.

**U.K. credit facilities**

We maintain a U.K. unsecured overdraft facility totaling 200,000 British Pounds Sterling. There are no financial covenants, and we had no outstanding borrowings under this overdraft facility at September 30, 2007. This facility is reviewed annually. The bank, in its sole discretion, may cancel at any time its commitment to provide this facility. We also maintain a U.K. unsecured bonds, guarantees and indemnities facility totaling 662,000 British Pounds Sterling. The bank, in its sole discretion, may cancel at any time its commitment to provide this facility. This facility was fully utilized at September 30, 2007.

**China credit facility**

We maintain a Chinese credit facility totaling 11.0 million RMB which is secured by a U.S. letter of credit provided under our revolving credit facility. There are no financial covenants, and we had 11.0 million RMB, or \$1.5 million, of outstanding borrowings under this credit facility as of September 30, 2007. This facility was fully utilized at September 30, 2007. The maturity date of this facility is December 31, 2007.

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**Description of notes**

On August 18, 2006, we issued \$75.0 million aggregate principal amount of notes in a private offering. As of the date of this prospectus, the aggregate principal amount of notes outstanding is \$75.0 million. We issued the notes under an indenture dated as of August 18, 2006 (the "indenture") between us and The Bank of New York, as trustee (the "trustee"). The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

You may request a copy of the indenture from us by the means described under "Available information."

The following description is a summary of the material provisions of the notes, the subsidiary guarantees and the indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used in the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes.

For purposes of this description, references to "we," "our" and "us" refer only to Calgon Carbon Corporation and not to its subsidiaries.

Certain of our domestic subsidiaries guarantee the notes and therefore are subject to many of the provisions contained in this "Description of notes." We refer to these subsidiaries as the subsidiary guarantors.

**General**

The notes

are limited to an aggregate principal amount of \$75,000,000;

bear interest at a rate of 5.00% per year, payable semi-annually in arrears, on February 15 and August 15 of each year, commencing on February 15, 2007;

are subject to redemption by us, at our option, on and after August 20, 2011, at a redemption price, payable in cash, equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and additional interest, if any, to, but not including, the redemption date;

are subject to purchase by us, at your option, if a fundamental change (as defined under "Fundamental change permits holders to require us to purchase notes") occurs, or on each of August 15, 2011, August 15, 2016 and August 15, 2026, in each case at a purchase price, payable in cash, equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and additional interest, if any, to, but not including, the purchase date;

mature on August 15, 2036 unless earlier converted, redeemed or repurchased;

are our direct, unsecured and senior obligations and rank equally in right of payment with all of our existing and future senior indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness;

are unconditionally guaranteed by certain of our domestic subsidiaries on a senior unsecured basis; and



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are issued in denominations of \$1,000 and multiples of \$1,000 and are represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in definitive form.

Prior to June 15, 2011, subject to fulfillment of certain conditions and during the periods described below, and on or after June 15, 2011, at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date, the notes may be converted at an initial conversion rate of 196.0784 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$5.10 per share of common stock). The conversion rate is subject to adjustment if certain events occur. Upon conversion of a note, we will pay cash and shares of common stock, if any, based upon a daily conversion value calculated on a proportionate basis for each trading day in the 25 trading-day observation period as described below under Conversion rights Settlement upon conversion. You will not receive any separate cash payment for interest or additional interest, if any, accrued and unpaid to the conversion date except under the limited circumstances described below.

The indenture does not limit the amount of debt which may be issued by us or our subsidiaries under the indenture or otherwise. In addition, the indenture does not limit us or any of our subsidiaries from paying dividends or issuing or repurchasing our securities, as such activities result in an adjustment to the conversion ratio. Other than restrictions described under Fundamental change permits holders to require us to purchase notes and Consolidation, merger and sale of assets below and except for the provisions set forth under Conversion rights Conversion rate adjustments Adjustment to shares delivered upon conversion upon certain fundamental changes, the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in any credit rating that may have been assigned to the notes as the result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect such holders.

We may from time to time repurchase notes in open market purchases or negotiated transactions without prior notice to holders.

We do not intend to list the notes on a national securities exchange or interdealer quotation system.

**Payments on the notes; paying agent and registrar; transfer and exchange**

We will pay principal of and interest and additional interest, if any, on notes in global form registered in the name of or held by The Depository Trust Company ( DTC ) or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note.

We will pay principal of certificated notes at the office or agency designated by us for that purpose in New York City. We have initially designated The Bank of New York as our paying agent and registrar and its agency in New York City as a place where notes may be presented for payment or for registration of transfer. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar. Interest and additional interest, if any, on certificated notes will be payable to holders having an aggregate principal amount of:

\$5,000,000 or less, by check mailed to the holders of these notes; and



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more than \$5,000,000, either by check mailed to each holder or, upon application by a holder to the registrar not later than the relevant record date, by wire transfer in immediately available funds to that holder's account within the United States, which application shall remain in effect until the holder notifies, in writing, the registrar to the contrary.

A holder of notes may transfer or exchange notes at the office of the registrar in accordance with the indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of notes, but we may require a holder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. We are not required to transfer or exchange any note selected for redemption or surrendered for conversion. Also, we are not required to register any transfer or exchange of any note for a period of 15 calendar days before the mailing of a notice of redemption.

The registered holder of a note will be treated as the owner of it for all purposes.

## **Interest**

The notes bear interest at a rate of 5.00% per year. Interest on the notes accrues from August 18, 2006. Interest is payable semiannually in arrears on February 15 and August 15 of each year, beginning February 15, 2007.

Interest is paid to the person in whose name a note is registered at 5:00 p.m., New York City time, on February 1 or August 1, as the case may be, immediately preceding the relevant interest payment date; provided, however, that interest will be paid on the maturity date only to the person to whom we pay the principal amount. If a payment date is not a business day, payment will be made on the next succeeding business day and no additional interest will accrue thereon.

Business day means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which the banking institutions in New York City are authorized or obligated by law or executive order to close or be closed.

Interest on the notes is computed on the basis of a 360-day year composed of twelve 30-day months and for any period other than a full interest period is computed on the basis of the actual number of days elapsed during the period and a 365-day year.

To the extent lawful, payments of principal or interest (including additional interest, if any) on the notes that are not made when due will accrue interest at the annual rate of 1% above the then applicable interest rate from the required payment date.

## **Ranking**

The notes are our general, unsecured obligations that rank equally in right of payment with all of our existing and future senior indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness. The notes are effectively junior to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

The notes are guaranteed by the subsidiary guarantors on a senior unsecured basis. The subsidiary guarantees are general unsecured senior obligations of the subsidiary guarantors and rank equally in right of payment with any existing or future senior indebtedness of the



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subsidiary guarantors. The subsidiary guarantees are effectively junior to any of the subsidiary guarantors existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes are effectively subordinated to any indebtedness and other liabilities of our non-guarantor subsidiaries.

As of September 30, 2007, we had outstanding on a consolidated basis approximately \$76.7 million of indebtedness secured by assets. Such indebtedness ranks senior to the notes in right of payment to the extent of the value of the assets securing the indebtedness. As of September 30, 2007, our non-guarantor subsidiaries had approximately \$29.7 million of liabilities. The indenture does not limit the amount of indebtedness we or our subsidiaries may incur.

### **Subsidiary guarantees**

Our subsidiary guarantors (as defined below), jointly and severally, fully and unconditionally guarantee on a senior unsecured basis the performance and full and punctual payment when due, whether at stated maturity, by acceleration, by redemption, by repurchase or otherwise, all of our obligations under the indenture (including obligations to the trustee) and the notes, whether for payment of principal of or interest on or additional interest, if any, in respect of the notes, expenses, indemnification or otherwise (all such guaranteed obligations are referred to as guaranteed obligations). The subsidiary guarantors have agreed to pay, in addition to the amount stated above, any and all costs and expenses (including reasonable counsel fees and expenses) incurred by the trustee or you in enforcing any right under the subsidiary guarantees. The subsidiary guarantees with respect to a note will automatically terminate immediately prior to the conversion of such note. Under the terms of the full and unconditional guarantees, holders of the notes are not required to exercise their remedies against us before they proceed directly against the subsidiary guarantors. In certain cases, the subsidiary guarantees may be voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. See Risk factors Risks related to the notes and our common stock Federal or state laws allow courts, under specific circumstances, to void debts, including subsidiary guarantees, and could require holders of notes to return payments received from us and the subsidiary guarantors.

Subsidiary guarantors mean all of our existing and future domestic subsidiaries that are currently a party to or become a party to our revolving credit facility (as defined below), whether as a borrower, co-borrower or guarantor.

Revolving credit facility means (i) the Credit Agreement, dated as of August 18, 2006, among the Company, Calgon Carbon Investments, Inc., as co-borrower, certain other borrowers, the guarantors named therein, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders named therein, and (ii) any amendment, modification, renewal, extension or refinancing thereof.

A subsidiary guarantee of any subsidiary guarantor will be released and relieved from all of its obligations under the subsidiary guarantee in the following circumstances:

upon the sale or other disposition (including by way of consolidation or merger), in one transaction or a series of related transactions, of a majority of the total voting power of the capital stock or other interests of such subsidiary guarantor (other than to us or any affiliate); or

upon the sale or disposition of all or substantially all the assets of such subsidiary guarantor (other than to us or any affiliate).

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### **Optional redemption**

Prior to August 20, 2011, the notes are not redeemable. On or after August 20, 2011, we may redeem for cash all or a portion of the notes, upon not less than 45 nor more than 60 calendar days' notice before the redemption date to the trustee, the paying agent and each holder of notes, at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, including any additional interest, to, but excluding, the redemption date (unless the redemption date is between a regular record date and the interest payment date to which it relates, in which case we will pay any accrued and unpaid interest and any additional interest to the holder of record on such regular record date).

If we decide to redeem fewer than all of the outstanding notes, the trustee will select the notes to be redeemed (in principal amounts of \$1,000 or multiples thereof) by lot, or on a pro rata basis or by another method the trustee considers fair and appropriate.

If the trustee selects a portion of your note for partial redemption and you convert a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to

issue, register the transfer of or exchange any note during a period of 15 calendar days before the mailing of the redemption notice; or

register the transfer of or exchange any note so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

No sinking fund is provided for the notes.

### **Conversion rights**

#### **General**

Prior to June 15, 2011, holders may convert their notes only upon satisfaction of one or more of the conditions described under the headings "Conversion upon satisfaction of sale price condition," "Conversion upon satisfaction of trading price condition" and "Conversion upon specified corporate transactions." On or after June 15, 2011, holders may convert their notes, without regard to such conditions, at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date.

Subject to the preceding paragraph, holders may convert each of their notes based on an initial conversion rate of 196.0784 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$5.10 per share of common stock).

Upon conversion of a note, we will pay cash and deliver shares of our common stock, if any, based on a daily conversion value (as defined under "Conversion procedures - Settlement upon conversion") calculated on a proportionate basis for each trading day of the 25 trading-day observation period (as defined under "Conversion procedures - Settlement upon conversion"). The trustee will initially act as the conversion agent.

The conversion rate and the equivalent conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and are subject to adjustment as described below. The conversion price at any given time is computed by dividing \$1,000 by the applicable conversion rate at such time.

A holder may

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convert fewer than all of such holder's notes so long as the notes converted are a multiple of \$1,000 principal amount.

If we call notes for redemption, a holder may convert notes only until 5:00 p.m., New York City time, on the third scheduled trading day prior to the redemption date unless we fail to pay the redemption price. If a holder of notes has submitted notes for purchase upon a fundamental change, the holder may convert those notes only if that holder withdraws the fundamental change purchase notice submitted by that holder in accordance with the terms of the indenture. Similarly, if a holder of notes exercises the option to require us to purchase those notes other than upon a fundamental change, those notes may be converted only if that holder withdraws the purchase notice submitted by that holder in accordance with the terms of the indenture.

Scheduled trading day means a day that is scheduled to be a trading day on the primary U.S. national securities exchange or market on which our common stock is listed or admitted for trading.

Upon conversion, you will not receive any separate cash payment for accrued and unpaid interest and additional interest, if any, unless such conversion occurs between a regular record date and the interest payment date to which it relates. We will not issue fractional shares of our common stock upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP (as defined under Conversion procedures Settlement upon conversion ) of the common stock on the last day of the observation period. Our delivery to you of cash or a combination of cash and the full number of shares of our common stock, if applicable, together with any cash payment for any fractional share, into which a note is convertible, will be deemed to satisfy in full our obligation to pay

the principal amount of the note; and

accrued and unpaid interest and additional interest, if any, to, but not including, the conversion date.

As a result, accrued and unpaid interest and additional interest, if any, to, but not including, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited.

Notwithstanding the preceding paragraph, if notes are converted after 5:00 p.m., New York City time, on a regular record date for the payment of interest, holders of such notes at 5:00 p.m., New York City time, on such record date will receive the interest and additional interest, if any, payable on such notes on the corresponding interest payment date notwithstanding the conversion. Notes, upon surrender for conversion during the period from 5:00 p.m., New York City time, on any regular record date to 9:00 a.m., New York City time, on the immediately following interest payment date, must be accompanied by funds equal to the amount of interest and additional interest, if any, payable on the notes so converted; *provided* that no such payment need be made:

if we have specified a redemption date that is after a record date and on or prior to the third trading day after the corresponding interest payment date;

if we have specified a fundamental change purchase date that is after a record date and on or prior to the third trading day after the corresponding interest payment date; or

to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

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If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any shares of our common stock upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder's name, in which case the holder will pay that tax.

Prior to June 15, 2011, holders may surrender their notes for conversion only under the circumstances described below.

For purposes of determining whether the conversion contingencies have been triggered, trading day means a day during which:

trading in our common stock generally occurs on the primary U.S. national securities exchange or market on which our common stock is listed or admitted for trading;

there is no market disruption event; and

a last reported sale price is available on the primary U.S. national securities exchange or market on which our common stock is listed or admitted for trading.

For purposes of determining whether the conversion contingencies have been triggered, market disruption event means, if our common stock is listed on the NYSE or another U.S. national or regional securities exchange, or is quoted on the Nasdaq Global Select Market or the Nasdaq Global Market, the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any trading day of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or future contracts relating to our common stock.

***Conversion upon satisfaction of sale price condition***

A holder may surrender all or a portion of its notes for conversion during any calendar quarter (and only during such calendar quarter) commencing after September 30, 2006 if the last reported sale price of the common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 120% of the applicable conversion price on such last trading day.

The last reported sale price of our common stock on any date means:

the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average asked prices) on the NYSE on that date (or, if no closing sale price is reported, the last reported sale price);

if our common stock is not listed for trading on the NYSE, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is listed;

if our common stock is not so listed on a U.S. national or regional securities exchange, the last sale price of our common stock on that date as reported by the Nasdaq Global Select Market or the Nasdaq Global Market (to the extent that the Nasdaq Global Select Market or the Nasdaq Global Market is not at such time a U.S. national or regional securities exchange);

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if our common stock is not so reported by the Nasdaq Global Select Market or the Nasdaq Global Market (to the extent that the Nasdaq Global Select Market or the Nasdaq Global Market is not at such time a U.S. national or regional securities exchange), the last quoted bid price for our common stock on that date in the over-the-counter market as reported by Pink Sheets LLC or similar organization; or

if our common stock is not so quoted by Pink Sheets LLC or similar organization, the average of the mid-point of the last bid and ask prices for our common stock on that date from a nationally recognized independent investment banking firm selected by us for this purpose.

***Conversion upon satisfaction of trading price condition***

A holder of notes may surrender all or a portion of its notes for conversion during the five business day period after any 10 consecutive trading day period (the measurement period) in which the trading price (as defined below) of a note, as determined following a request by a holder of notes in accordance with the procedures described below, for each day in the measurement period was less than 103% of the product of the last reported sale price of our common stock and the applicable conversion rate.

The trading price of a note on any date of determination means the average of the secondary market bid quotations obtained by the bid solicitation agent for \$5,000,000 aggregate principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select; *provided that*, if only two such bids can reasonably be obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained, that one bid shall be used. If the bid solicitation agent cannot reasonably obtain at least one bid for \$5,000,000 aggregate principal amount of the notes, then, for purposes of the trading price condition only, the trading price per \$1,000 principal amount of notes will be deemed to be less than 103% of the product of the last reported sale price of our common stock and the applicable conversion rate.

In connection with any conversion upon satisfaction of the above trading price condition, the bid solicitation agent shall have no obligation to determine the trading price of the notes unless we have requested such determination; and we shall have no obligation to make such request unless a holder of a note provides us with reasonable evidence that the trading price per \$1,000 principal amount of notes would be less than 103% of the product of the last reported sale price of our common stock and the applicable conversion rate. At such time, we shall instruct the bid solicitation agent to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price per \$1,000 principal amount of notes is greater than or equal to 103% of the product of the last reported sale price of our common stock and applicable conversion rate. The trustee will initially act as the bid solicitation agent.

***Conversion upon specified corporate transactions***

***Certain distributions***

If we elect to

distribute to all or substantially all holders of our common stock certain rights entitling them to purchase, for a period expiring within 60 calendar days after the date of the distribution, shares of our common stock at less than the average of the last reported sale



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prices of a share of our common stock for the 10 consecutive trading-day period ending on the business day preceding the announcement of such issuance; or

distribute to all or substantially all holders of our common stock our assets, debt securities or certain rights to purchase our securities, which distribution has a per share fair market value, as reasonably determined by our board of directors, exceeding 10% of the last reported sale price of our common stock on the day preceding the declaration date for such distribution,

we must notify the trustee, the conversion agent and the holders of the notes at least 35 scheduled trading days prior to the ex-dividend date for such distribution. Once we have given such notice, holders may surrender all or a portion of their notes for conversion at any time until the earlier of 5:00 p.m., New York City time, on the business day immediately prior to the ex-dividend date or our announcement that such distribution will not take place. The ex-dividend date is the first date upon which a sale of the common stock does not automatically transfer the right to receive the relevant distribution from the seller of the common stock to its buyer.

*Certain corporate events*

If we are party to a transaction described in clause (2) of the definition of fundamental change (without giving effect to the paragraph following that definition), we must notify the trustee, the conversion agent and holders of the notes at least 35 scheduled trading days prior to the anticipated effective date for such transaction. Once we have given such notice, holders may surrender all or a portion of their notes for conversion at any time until 35 calendar days after the actual effective date of such transaction (or if such transaction also constitutes a fundamental change, the related fundamental change purchase date).

In addition, holders may surrender all or a portion of their notes for conversion if a fundamental change of the type described in clauses (1) and (5) of the definition of fundamental change occurs. In such event, we will provide a notice to the trustee, the conversion agent and the holders of notes on or before the 20th calendar day after the occurrence of such fundamental change. Once we have given such notice, holders may surrender all or a portion of their notes for conversion at any time beginning on the actual effective date of such fundamental change until and including the later of (i) the date which is 30 calendar days after the actual effective date of such transaction and (ii) the fundamental change purchase date.

**Conversion procedures**

Once a conversion condition has been satisfied, we will provide a notice to the trustee, the conversion agent and the holders of notes promptly, unless otherwise provided. Simultaneously with providing such notice, we will publish a notice containing this information on our website or through such other public medium as we may use at that time.

If you hold a beneficial interest in a global note, to convert you must comply with DTC's procedures for converting a beneficial interest in a global note and, if required, pay funds equal to interest payable on the next interest payment date and, if required, pay all taxes or duties, if any.

If you hold a certificated note, to convert you must

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complete and manually sign the conversion notice on the back of the note, or a facsimile of the conversion notice;

deliver the conversion notice, which is irrevocable, and the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date.

The date you comply with these requirements is the conversion date under the indenture.

If we call notes for redemption, a holder may convert notes only until 5:00 p.m., New York City time, on the third scheduled trading day prior to the redemption date unless we fail to pay the redemption price. If a holder has already delivered a purchase notice as described under Purchase of notes by us at the option of the holder or a fundamental change purchase notice as described under Fundamental change permits holders to require us to purchase notes with respect to a note, the holder may not surrender that note for conversion until the holder has withdrawn the notice in accordance with the terms of the indenture.

***Settlement upon conversion***

Upon conversion, we will deliver to holders in respect of each \$1,000 principal amount of notes being converted, a settlement amount of cash and shares of our common stock, if any, equal to the sum of the daily settlement amounts for each of the 25 trading days during the observation period.

Daily settlement amount, for each of the 25 trading days during the observation period, shall consist of:

cash equal to the lesser of \$40 and the daily conversion value relating to such day; and

to the extent the daily conversion value exceeds \$40, a number of shares equal to, (A) the difference between the daily conversion value and \$40, divided by (B) the daily VWAP of our common stock (or the consideration into which our common stock has been exchanged in connection with certain corporate transactions) on such day.

Daily conversion value means, for each of the 25 consecutive trading days during the observation period, one-twenty-fifth (1/25) of the product of (1) the applicable conversion rate and (2) the daily VWAP of our common stock on such day.

Daily VWAP of our common stock means, for each of the 25 consecutive trading days during the observation period, the per share volume-weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg Financial Markets page CCC.N <equity> AQR (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day (or if such volume-weighted average price is unavailable, the market value of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm selected by us for this purpose).

Observation period with respect to any note means the 25 consecutive trading-day period beginning on and including the second trading day after the related conversion date, except that with respect to any related conversion date

occurring after the date of issuance of a notice of redemption as described under Optional redemption, the observation period means

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the 25 consecutive trading-day period beginning on and including the 28th scheduled trading day prior to the applicable redemption date.

For the purposes of determining settlement upon conversion, **trading day** means a day during which:

trading in our common stock generally occurs on the primary U.S. national securities exchange or market on which our common stock is listed or admitted for trading; and

there is no market disruption event.

For the purposes of determining settlement upon conversion, **market disruption event** means:

a failure by the primary U.S. national securities exchange or market on which our common stock is listed or admitted to trading to open for trading during its regular trading session; or

the occurrence or existence prior to 1:00 p.m. on any trading day for our common stock for an aggregate one half hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or future contracts relating to our common stock.

We will generally deliver the settlement amount to converting holders on the third business day immediately following the last day of the observation period.

We will deliver cash in lieu of any fractional share of common stock issuable in connection with settlement of a conversion of notes based on the daily VWAP on our common stock on the last day of the observation period.

***Conversion rate adjustments***

The conversion rate will be adjusted as described below, except that we will not make any adjustments to the conversion rate if holders of the notes participate, as a result of holding the notes, in any of the transactions described below without having to convert their notes.

- (1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{OS}{OS_0}$$

where,

$CR_0$  = the conversion rate in effect immediately prior to such event

$CR$  = the conversion rate in effect immediately after such event

$OS_0$  = the number of shares of our common stock outstanding immediately prior to such event

$OS$  = the number of shares of our common stock outstanding immediately after such event

- (2) If we issue to all or substantially all holders of our common stock any rights or warrants entitling them for a period of not more than 60 calendar days to subscribe for or purchase shares of our common stock, at a price per share less than the average of the

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last reported sale prices of our common stock for the 10 consecutive trading-day period ending on the business day immediately preceding the date of announcement of the issuance of such rights, the conversion rate will be adjusted based on the following formula (provided that the conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration):

$$CR = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

$CR_0$  = the conversion rate in effect immediately prior to such event

$CR$  = the conversion rate in effect immediately after such event

$OS_0$  = the number of shares of our common stock outstanding immediately prior to such event

$X$  = the total number of shares of our common stock issuable pursuant to such rights

$Y$  = the number of shares of our common stock equal to the aggregate price payable to exercise such rights divided by the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on the business day immediately preceding the date of announcement of the issuance of such rights

- (3) If we distribute shares of our capital stock, evidences of our indebtedness or other assets or property of ours to all or substantially all holders of our common stock, excluding:

dividends or distributions and rights or warrants referred to in clause (1) or (2) above; and

dividends or distributions paid exclusively in cash; then the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0 + FMV}$$

where,

$CR_0$  = the conversion rate in effect immediately prior to such distribution

$CR$  = the conversion rate in effect immediately after such distribution

$SP_0$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on the business day immediately preceding the ex-dividend date for such distribution

$FMV$  =

the fair market value (as determined by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the record date for such distribution With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock or shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the conversion rate in effect immediately before 5:00 p.m., New York City time, on the tenth trading day immediately following, and including,

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the effective date of the spin-off will be increased based on the following formula:

$$CR = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

$CR_0$  = the conversion rate in effect immediately prior to such distribution

$CR$  = the conversion rate in effect immediately after such distribution

$FMV_0$  = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading-day period after the effective date of the spin-off

$MP_0$  = the average of the last reported sale prices of our common stock over the first 10 consecutive trading-day period after the effective date of the spin-off

The adjustment to the conversion rate under the preceding paragraph will occur on the tenth trading day from, and including, the effective date of the spin-off.

- (4) If we pay any cash dividend or distribution to all or substantially all holders of our common stock, the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

$CR_0$  = the conversion rate in effect immediately prior to the record date for such distribution

$CR$  = the conversion rate in effect immediately after the record date for such distribution

$SP_0$  = the last reported sale price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;

$C$  = the amount in cash per share we distribute to holders of our common stock.

- (5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the last reported sale price of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer, the conversion rate will be increased based on the following formula:



$$CR = CR_0 \times (AC + (SP \times OS))$$

$$OS_0 \times SP$$

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where,

- $CR_0$  = the conversion rate in effect on the date such tender offer or exchange offer expires
- $CR$  = the conversion rate in effect on the day next succeeding the date such tender offer or exchange offer expires
- $AC$  = the aggregate value of all cash and any other consideration (as determined by our board of directors) paid or payable for shares purchased in such tender offer or exchange offer
- $OS_0$  = the number of shares of our common stock outstanding immediately prior to the date such tender offer or exchange offer expires
- $OS$  = the number of shares of our common stock outstanding immediately after the date such tender offer or exchange offer expires
- $SP$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period commencing on the trading day next succeeding the date such tender offer or exchange offer expires

Except as stated herein, we will not adjust the conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right to purchase shares of our common stock or such convertible or exchangeable securities.

We are permitted to increase the conversion rate of the notes by any amount for a period of at least 20 business days if our board of directors determines that such increase would be in our best interest. We may also (but are not required to) increase the conversion rate to avoid or diminish income tax to holders of our common stock or rights to purchase shares of our common stock in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event.

A holder may, in some circumstances, including the distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution or dividend subject to U.S. federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the conversion rate. For a discussion of the U.S. federal income tax treatment of an adjustment to the conversion rate, see Material U.S. federal income and estate tax consequences.

To the extent that we have a rights plan in effect upon conversion of the notes into common stock, holders will receive, in addition to the common stock, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case the conversion rate will be adjusted at the time of separation as if we distributed to all or substantially all holders of our common stock, shares of our capital stock, evidences of indebtedness or other assets or property of ours as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

Notwithstanding any of the foregoing, the applicable conversion rate will not be adjusted

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;



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upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by us or any of our subsidiaries;

upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the notes were first issued;

for a change in the par value of the common stock; or

for accrued and unpaid interest and additional interest, if any.

Adjustments to the applicable conversion rate will be calculated to the nearest 1/10,000th of a share. Except as described above in this section, we will not adjust the conversion rate.

***Recapitalizations, reclassifications and changes of our common stock***

In the case of

any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);

a consolidation, merger or combination involving us;

a conveyance, transfer, sale, lease or other disposition to a third party of all or substantially all of the property and assets of ours and our subsidiaries; or

any statutory share exchange,

in which holders of our common stock received cash, securities or other property in exchange for their shares of our common stock, the notes will become convertible into the kind and amount of consideration that holders of our common stock received in such transaction (the reference property ) upon such transaction. If the transaction causes our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the reference property into which the notes will be convertible will be deemed to be the weighted average of the kind and amount of consideration received by the holders of our common stock that affirmatively make such an election. In all cases, the provisions above under Settlement upon conversion relating to the satisfaction of the conversion obligation shall continue to apply with respect to the calculation of the settlement amount. We will agree in the indenture not to become a party to any such transaction unless its terms are consistent with the foregoing.

***Adjustments of average prices***

Whenever any provision of the indenture requires us to calculate an average of last reported prices or daily VWAP over multiple days, we will make appropriate adjustments to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date of the event occurs, at any time during the period from which the average is to be calculated.

***Adjustment to shares delivered upon conversion upon certain fundamental changes***

If you elect to convert your notes as described above under Conversion upon specified corporate transactions Certain corporate events, and such fundamental change pursuant to clause (1), (2) or (5) of the definition of fundamental change occurs on or prior to August 15,

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2011, in certain circumstances described below, the conversion rate will be increased by an additional number of shares of common stock (the additional shares) as described below. Any conversion will be deemed to have occurred in connection with such fundamental change only if such notes are surrendered for conversion at a time when the notes would be convertible in light of the expected or actual occurrence of a fundamental change and notwithstanding the fact that a note may then be convertible because another condition to conversion has been satisfied or no condition to conversion exists.

The number of additional shares by which the conversion rate will be increased will be determined by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the effective date) and the price (the stock price) paid per share of our common stock in the fundamental change. If the fundamental change is a transaction described in clause (2) of the definition thereof and holders of our common stock receive only cash in that fundamental change, the stock price shall be the cash amount paid per share. Otherwise, the stock price shall be the average of the last reported sale prices of our common stock over the five trading-day period ending on the trading day preceding the effective date of the fundamental change.

The stock prices set forth in the first row of the table below (i.e., column headers) will be adjusted as of any date on which the conversion rate of the notes is otherwise adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner as the conversion rate as set forth under Conversion rate adjustments.

The following table sets forth the hypothetical stock price and the number of shares by which the conversion rate will be increased per \$1,000 principal amount of notes:

	<b>Stock Price</b>										
	<b>\$5.25</b>	<b>\$6.25</b>	<b>\$7.25</b>	<b>\$8.25</b>	<b>\$9.25</b>	<b>\$10.25</b>	<b>\$11.25</b>	<b>\$12.25</b>	<b>\$13.25</b>	<b>\$14.25</b>	<b>\$15.25</b>
	31.6481	22.8662	17.2623	13.4283	10.6597	8.5806	6.9704	5.6942	4.6646	3.8228	3.1111
	29.6073	20.8726	15.5139	11.9576	9.4472	7.5876	6.1590	5.0314	4.1221	3.3780	2.7273
	26.8382	18.1392	13.1267	9.9679	7.8204	6.2667	5.0879	4.1619	3.4145	2.8012	2.2727
	22.9568	14.3091	9.8507	7.3024	5.6859	4.5633	3.7259	3.0689	2.5356	2.0931	1.7273
	16.9913	8.6349	5.3064	3.8035	2.9780	2.4316	2.0210	1.6901	1.4136	1.1777	0.9091
	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact stock prices and effective dates may not be set forth in the table above, in which case:

If the stock price is between two stock price amounts in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year.

If the stock price is greater than \$17.25 per share (subject to adjustment), no additional shares will be issued upon conversion.

If the stock price is less than \$4.25 per share (subject to adjustment), no additional shares will be issued upon conversion.

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Notwithstanding the foregoing, in no event will the total number of shares of common stock issuable upon conversion exceed 235.2941 per \$1,000 principal amount of notes (which number shall equal the quotient obtained by dividing the principal amount per note by \$4.25), subject to adjustments in the same manner as the conversion rate as set forth under *Conversion rate adjustments*.

*Settlement of conversions related to a fundamental change pursuant to clause (2) as to which the conversion rate will be increased by additional shares*

As described above, in the case of a transaction that is a fundamental change pursuant to clause (2) in the definition thereof, upon effectiveness of such fundamental change, the notes will be convertible into the consideration the holders of our common stock received in such transaction. If, as described above, we are required to increase the conversion rate as a result of such fundamental change, notes surrendered for conversion that would otherwise be settled in cash and shares of our common stock, if any, as described above under *Settlement upon conversion*, will be settled as follows:

If the last day of the observation period related to notes surrendered for conversion is on or prior to the fourth trading day immediately preceding the effective date of such fundamental change, we will settle such conversion as described under *Settlement upon conversion* above by delivering the settlement amount (based on the conversion rate without regard to the number of additional shares to be added to the conversion rate as described above) on the third business day immediately following the last day of the observation period. As soon as practicable following the effective date of such fundamental change, we will deliver the increase in the settlement amount as if the conversion rate had been increased by such number of additional shares during the observation period (and based upon the daily VWAP prices during such observation period).

If the last day of the observation period related to notes surrendered for conversion is after the fourth trading day immediately preceding the effective date of such fundamental change, we will settle such conversion as described under *Settlement upon conversion* above by delivering the settlement amount (based on the increased conversion rate) on the later to occur of (x) the business day following the effective date and (y) the third business day immediately following the last day of the observation period.

**Purchase of notes by us at the option of the holder**

Holders have the right to require us to purchase all or a portion of their notes on August 15, 2011, August 15, 2016 and August 15, 2026 (each, a *purchase date* ). We will be required to purchase any outstanding notes for which a holder delivers a written purchase notice to the paying agent. This notice must be delivered during the period beginning at any time from 9:00 a.m., New York City time, on the date that is 20 business days prior to the relevant purchase date until 5:00 p.m., New York City time, on the business day immediately preceding the purchase date. If the purchase notice is given and withdrawn during such period, we will not be obligated to purchase the related notes. Also, our ability to satisfy our purchase obligations may be affected by the factors described in *Risk factors* under the caption *We may not have sufficient funds necessary to settle conversion of the notes or to purchase the notes upon a fundamental change or other purchase date, and our future debt may contain limitations on our ability to pay cash upon conversion or purchase of the notes.*



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The purchase price payable will be equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including any additional interest, to, but not including, such purchase date. The accrued and unpaid interest, including any additional interest, will be paid to the holder of record on such regular record date. Any notes purchased by us will be paid for in cash.

On or before the 20th business day prior to each purchase date, we will provide to the trustee, the paying agent and to all holders of the notes at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, a notice stating, among other things

- the last date on which a holder may exercise the purchase right;
- the purchase price;
- the purchase date;
- the name and address of the paying agent; and
- the procedures that holders must follow to require us to purchase their notes.

Simultaneously with providing such notice, we will publish a notice containing this information in a newspaper of general circulation in New York City or publish a notice containing this information on our website or through such other public medium as we may use at that time.

To exercise the purchase right, you must deliver by 5:00 p.m., New York City time, on the business day immediately preceding the purchase date, the notes to be purchased, duly endorsed for transfer, together with a written purchase notice entitled "Form of Purchase Notice" on the reverse side of the notes duly completed, to the paying agent. A purchase notice must state

- if certificated notes have been issued, the certificate numbers of the notes to be delivered for purchase, or if certificated notes have not been issued, your notice must comply with appropriate DTC procedures;
- the portion of the principal amount of notes to be purchased, which must be \$1,000 or a multiple thereof; and
- that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the indenture.

You may withdraw any purchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to 5:00 p.m., New York City time, on the business day immediately preceding the purchase date. The notice of withdrawal must state

- the principal amount of the withdrawn notes;
- if certificated notes have been issued, the certificate numbers of the withdrawn notes, or if certificated notes have not been issued, your notice must comply with appropriate DTC procedures; and
- the principal amount, if any, which remains subject to the purchase notice.

We will be required to purchase the notes tendered for purchase on each purchase date. You will receive payment of the purchase price promptly following the later of the purchase date or the time of book-entry transfer or the delivery of the notes. If the paying agent holds money



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sufficient to pay the purchase price of the notes on the business day following the purchase date, then

the notes will cease to be outstanding and interest, including any additional interest, will cease to accrue (whether or not book-entry transfer of the notes is made or whether or not the note is delivered to the paying agent); and

all other rights of the holder will terminate (other than the right to receive the purchase price and previously accrued and unpaid interest, and additional interest, upon delivery or transfer of the notes).

We will comply with the provisions of Rule 13e-4 and any other rules under the Exchange Act that may be applicable.

No notes may be purchased at the option of holders if there has occurred and is continuing an event of default other than an event of default that is cured by the payment of the purchase price of the notes.

**Fundamental change permits holders to require us to purchase notes**

If a fundamental change (as defined below in this section) occurs at any time, holders will have the right to require us to purchase all or a portion of their notes. The fundamental change purchase price payable will be equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including any additional interest, to, but not including, the fundamental change purchase date (unless the fundamental change purchase date is between a regular record date and the interest payment date to which it relates, in which case we will pay any accrued and unpaid interest and any additional interest to the holder of record on such regular record date). The fundamental change purchase date will be a date specified by us no later than the 35th calendar day following the date of our fundamental change notice as described below. Any notes purchased by us will be paid for in cash.

A fundamental change will be deemed to have occurred at the time after the notes are originally issued that any of the following occurs

- (1) a person or group within the meaning of Section 13(d) of the Exchange Act other than us, our subsidiaries or our or their employee benefit plans, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the beneficial owner, as defined in Rule 13d-3 under the Exchange Act, of our common equity representing more than 50% of the ordinary voting power of our common equity;
- (2) consummation of any share exchange, consolidation or merger of us pursuant to which our common stock will be converted into cash, securities or other property or any conveyance, transfer, sale, lease or disposition in one transaction or a series of transactions of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our subsidiaries; *provided, however*, that a transaction where the holders of more than 50% of all classes of our common equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such event shall not be a fundamental change;
- (3) continuing directors cease to constitute at least a majority of our board of directors;

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- (4) our stockholders approve any plan or proposal for the liquidation or dissolution of us; or
- (5) our common stock (or other common stock into which the notes are then convertible) ceases to be listed on a national securities exchange or quoted on the Nasdaq Global Select Market or the Nasdaq Global Market (to the extent that the Nasdaq Global Select Market or the Nasdaq Global Market is not at such time a U.S. national securities exchange) or another established automated over-the-counter trading market in the United States.

A fundamental change will not be deemed to have occurred, however if at least 90% of the consideration received or to be received by our common stockholders, excluding cash payments for fractional shares, in connection with the transaction or transactions constituting the fundamental change consists of shares of common stock traded on a U.S. national securities exchange or quoted on the Nasdaq Global Select Market or the Nasdaq Global Market (to the extent that the Nasdaq Global Select Market or the Nasdaq Global Market is not at such time a U.S. national securities exchange) or which will be so traded or quoted when issued or exchanged in connection with a fundamental change (these securities being referred to as publicly traded securities ) and as a result of this transaction or transactions the notes become convertible into such publicly traded securities.

Continuing director means a director who either was a member of our board of directors on August 14, 2006 or who becomes a member of our board of directors subsequent to that date and whose election, appointment or nomination for election by our stockholders, is duly approved by a majority of the continuing directors on our board of directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by us on behalf of our entire board of directors in which such individual is named as nominee for director.

On or before the 20th calendar day after the occurrence of a fundamental change, we will provide to all holders of the notes and the trustee and paying agent a notice of the occurrence of the fundamental change and of the resulting fundamental change purchase right. Such notice shall state, among other things

the events causing a fundamental change;

the date of the fundamental change;

the last date on which a holder may exercise the purchase right;

the fundamental change purchase price;

the fundamental change purchase date;

the name and address of the paying agent and the conversion agent, if applicable;

if applicable, the conversion rights of the holders with respect to the notes and the applicable conversion rate and any adjustments to the applicable conversion rate;

if applicable, that the notes with respect to which a fundamental change purchase notice has been delivered by a holder may be converted only if the holder withdraws the fundamental change purchase notice in accordance with the terms of the indenture; and

the procedures that holders must follow to require us to purchase their notes.

Simultaneously with providing such notice, we will publish a notice containing this information in a newspaper of general circulation in New York City or publish a notice containing this information on our website or through such other public medium as we may use at that time.

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To exercise the purchase right, you must deliver, by 5:00 p.m., New York City time, on the business day immediately preceding the fundamental change purchase date, the notes to be purchased, duly endorsed for transfer, together with a written purchase notice entitled Form of Fundamental Change Purchase Notice on the reverse side of the notes duly completed, to the paying agent. A fundamental change purchase notice must state

if certificated notes have been issued, the certificate numbers of the notes to be delivered for purchase, or if certificated notes have not been issued, your notice must comply with appropriate DTC procedures;

the portion of the principal amount of notes to be purchased, which must be \$1,000 or a multiple thereof; and

that the notes are to be purchased by us pursuant to the applicable provisions of the notes and the indenture.

You may withdraw any fundamental change purchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to 5:00 p.m., New York City time, on the business day immediately preceding the fundamental change purchase date. The notice of withdrawal must state

the principal amount of the withdrawn notes;

if certificated notes have been issued, the certificate numbers of the withdrawn notes, or if certificated notes have not been issued, your notice must comply with appropriate DTC procedures; and

the principal amount, if any, which remains subject to the fundamental change purchase notice.

We will be required to purchase the notes tendered for purchase on the fundamental change purchase date. You will receive payment of the fundamental change purchase price promptly following the later of the fundamental change purchase date or the time of book-entry transfer or the delivery of the notes. If the paying agent holds money sufficient to pay the fundamental change purchase price of the notes on the business day following the fundamental change purchase date, then

the notes will cease to be outstanding and interest, including any additional interest, if any, will cease to accrue (whether or not book-entry transfer of the notes is made or whether or not the note is delivered to the paying agent); and

all other rights of the holder will terminate (other than the right to receive the fundamental change purchase price and previously accrued and unpaid interest, and additional interest, upon delivery or transfer of the notes).

The purchase rights of the holders could discourage a potential acquirer of us. The fundamental change purchase feature is, however, not the result of management's knowledge of any specific effort to obtain control of us by any means or part of a plan by management to adopt a series of anti-takeover provisions.

The term fundamental change is limited to specified transactions and may not include other events that might adversely affect our financial condition. In addition, the requirement that we offer to purchase the notes upon a fundamental change may not protect holders in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

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The definition of fundamental change includes a phrase relating to the conveyance, transfer, sale, lease or disposition of all or substantially all of the consolidated assets of us and our subsidiaries, taken as a whole. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of the notes to require us to purchase its notes as a result of the conveyance, transfer, sale, lease or disposition of less than all of our assets may be uncertain.

If a fundamental change were to occur, we may not have enough funds to pay the fundamental change purchase price. See Risk factors under the caption We may not have sufficient funds necessary to settle conversion of the notes or to purchase the notes upon a fundamental change or other purchase date, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes. If we fail to purchase the notes when required following a fundamental change, we will be in default under the indenture. In addition, we have, and may in the future incur, other indebtedness with similar change in control provisions permitting our holders to accelerate or to require us to purchase our indebtedness upon the occurrence of similar events or on some specific dates.

We will comply with the provisions of Rule 13e-4 and any other rules under the Exchange Act that may be applicable.

No notes may be purchased at the option of holders upon a fundamental change if there has occurred and is continuing an event of default other than an event of default that is cured by the payment of the fundamental change purchase price of the notes.

### **Consolidation, merger and sale of assets**

The indenture provides that we shall not consolidate with or merge with or into, or convey, transfer, sell, lease or dispose of all or substantially all of our properties and assets to, another person (if we are not the resulting, surviving or transferee person), unless:

the resulting, surviving or transferee person is a corporation or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such entity expressly assumes by supplemental indenture all of our obligations under the notes and the indenture and, to the extent then still operative, by supplemental agreement all of our obligations under the registration rights agreement;

immediately after giving effect to such transaction, no default or event of default has occurred and is continuing under the indenture; and

we have delivered to the trustee an officers certificate and an opinion of counsel stating that such consolidation, merger, conveyance, transfer, sale, lease or disposition complies with these requirements.

Upon any such consolidation, merger, conveyance, transfer, sale, lease or disposition, the resulting, surviving or transferee person (if not us) shall succeed to, and may exercise every right and power of, ours under the indenture.

Although these types of transactions are permitted under the indenture, certain of the foregoing transactions could constitute a fundamental change (as defined under Fundamental change permits holders to require us to purchase notes ) permitting each holder to require us to purchase the notes of such holder as described above.

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The indenture also provides that any of the subsidiary guarantors may consolidate with or merge with or into, or convey, transfer, sell, lease or dispose of all or substantially all of its properties and assets to, another person (if such subsidiary guarantor is not the resulting, surviving or transferee person), provided that:

the resulting, surviving or transferee person is a corporation or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and expressly assumes by supplemental indenture all of the obligations of such subsidiary guarantor under the subsidiary guarantee and the indenture and, to the extent then still operative, by supplemental agreement all of the obligations of such subsidiary guarantor under the registration rights agreement;

immediately after giving effect to such transaction, no default or event of default has occurred and is continuing under the indenture; and

the subsidiary guarantor has delivered to the trustee an officers' certificate and an opinion of counsel each stating that such consolidation, merger, conveyance, transfer, sale, lease or disposition complies with these requirements.

A subsidiary guarantor will be released and relieved from all of its obligations under the subsidiary guarantee in the following circumstances:

upon the sale or other disposition (including by way of consolidation or merger), in one transaction or a series of related transactions, of a majority of the total voting power of the capital stock or other interests of such subsidiary guarantor (other than to us or any affiliate); or

upon the sale or disposition of all or substantially all the assets of such subsidiary guarantor (other than to us or any affiliate).

## **Events of default**

Each of the following is an event of default:

- (1) default in any payment of interest, including any additional interest (as required by the registration rights agreement described in Registration rights ) on any note when due and payable and the default continues for a period of 30 calendar days;
- (2) default in the payment of principal of any note when due and payable at its stated maturity, upon optional redemption, upon required purchase, upon declaration or otherwise;
- (3) our failure to comply with our obligation to convert the notes in accordance with the indenture upon exercise of a holder's conversion right and such failure continues for a period of five calendar days;
- (4) our failure to give a fundamental change notice or notice of a specified corporate transaction as described under Conversion upon specified corporate transactions, in each case on a timely basis as required under the indenture;
- (5) our failure to comply with our obligations under Consolidation, merger and sale of assets;
- (6) our failure to comply for 60 calendar days after written notice from the trustee or from the holders of at least 25% in principal amount of the notes then outstanding with any of our other agreements contained in the notes



or the indenture;

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- (7) the failure by us or any of our subsidiaries to pay any indebtedness for borrowed money within any applicable grace period after final maturity or the acceleration of any such indebtedness by the holders thereof because of a default if the total amount of such indebtedness unpaid or accelerated exceeds \$10,000,000 in the aggregate, and such failure continues for ten calendar days after written notice from the trustee or from the holders of at least 25% in principal amount of the notes then outstanding;
- (8) a subsidiary guarantee shall be held in any judicial proceeding to be unenforceable or invalid or a subsidiary guarantor denies or disaffirms its obligations under its subsidiary guarantee;
- (9) a final judgment for the payment of \$10,000,000 or more rendered against us or any subsidiary, which judgment is not discharged or stayed within 60 calendar days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished; or
- (10) certain events of bankruptcy, insolvency or reorganization involving us or significant subsidiaries.

If an event of default occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding notes by notice to us and the trustee, may, and the trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest, including additional interest, if any, on the notes to be due and payable. In case of certain events of bankruptcy, insolvency or reorganization, involving us or a significant subsidiary, 100% of the principal of and accrued and unpaid interest, including additional interest, if any, on the notes will automatically become due and payable. Upon such a declaration, such principal and accrued and unpaid interest, including any additional interest, will be due and payable immediately.

The holders of a majority in principal amount of the outstanding notes may waive all past defaults (except with respect to nonpayment of principal or interest, including any additional interest or with respect to a provision that cannot be amended without the consent of each holder affected) and rescind any such acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing events of default, other than the nonpayment of the principal of and interest, including additional interest, on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Subject to the provisions of the indenture relating to the duties of the trustee, if an event of default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the holders unless such holders have offered to the trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest, including any additional interest, when due, no holder may pursue any remedy with respect to the indenture or the notes unless:

- (1) such holder has previously given the trustee notice that an event of default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding notes have requested the trustee to pursue the remedy;
- (3) such holders have offered the trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense;

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- (4) the trustee has not complied with such request within 60 calendar days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding notes have not given the trustee a direction that, in the opinion of the trustee, is inconsistent with such request within such 60-calendar-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or of exercising any trust or power conferred on the trustee. The indenture provides that in the event an event of default has occurred and is continuing, the trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the trustee determines is unduly prejudicial to the rights of any other holder or that would involve the trustee in personal liability. Prior to taking any action under the indenture, the trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The indenture provides that if a default occurs and is continuing and is known to the trustee, the trustee must mail to each holder notice of the default within 90 calendar days after it occurs. Except in the case of a default in the payment of principal of or interest on any note, the trustee may withhold notice if and so long as the trustee's board of directors, a committee of the trustee's board of directors or a committee of the trustee's trust officers in good faith determines that withholding notice is in the interests of the holders. In addition, we are required to deliver to the trustee, within 120 calendar days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any default that occurred during the previous year. We also are required to deliver to the trustee, within 30 calendar days after the occurrence thereof, written notice of any events which would constitute certain defaults, their status and what action we are taking or proposes to take in respect thereof.

**Modification and amendment**

Subject to certain exceptions, the indenture or the notes may be amended with the consent of the holders of at least a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes). However, without the consent of each holder of an outstanding note affected (in addition to the majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), no amendment may, among other things:

- (1) reduce the amount of notes whose holders must consent to an amendment of the indenture or to waive any past defaults;
- (2) reduce the rate of or extend the stated time for payment of interest, including additional interest, on any note;
- (3) reduce the principal of or extend the stated maturity of any note;

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- (4) make any change that impairs or adversely affects the conversion rights of any notes;
- (5) reduce the redemption price, the purchase price or fundamental change purchase price of any note or amend or modify in any manner adverse to the holders of notes our obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (6) make any note payable in money other than that stated in the note;
- (7) impair the right of any holder to receive payment of principal and interest, including additional interest, on such holder's notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's notes;
- (8) make any change in the amendment provisions which require each holder's consent or in the waiver provisions; or
- (9) terminate any subsidiary guarantees with respect to the notes (unless expressly permitted under the indenture).

Without the consent of any holder, we, the subsidiary guarantors and the trustee may amend the indenture to:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) provide for the assumption by a successor corporation or limited liability company of our or a subsidiary guarantor's obligations under the indenture;
- (3) provide for uncertificated notes in addition to or in place of certificated notes (provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code);
- (4) add guarantees with respect to the notes;
- (5) secure the notes;
- (6) add to our covenants for the benefit of the holders or surrender any right or power conferred upon us;
- (7) make any change that does not materially adversely affect the rights of any holder; or
- (8) comply with any requirement of the SEC in connection with the qualification of the indenture under the Trust Indenture Act.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment under the indenture becomes effective, we are required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

**Discharge**

We may satisfy and discharge our obligations under the indenture by delivering to the securities registrar for cancellation all outstanding notes or by depositing with the trustee or delivering to the holders, as applicable, after the

notes have become due and payable, whether at stated

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maturity, or any redemption date, or any purchase date, or upon conversion or otherwise, cash or shares of common stock sufficient to pay all of the outstanding notes and paying all other sums payable under the indenture by us. Such discharge is subject to terms contained in the indenture.

### **Repurchase and cancellation**

We may, to the extent permitted by law, repurchase any notes in the open market or by tender offer at any price or by private agreement. Any notes repurchased by us may, at our option, be surrendered to the trustee for cancellation, but may not be reissued or resold by us.

### **Calculations in respect of notes**

Except as otherwise provided above, we are responsible for making all calculations called for under the notes. These calculations include, but are not limited to, determinations of the last reported sale prices of our common stock, accrued interest payable on the notes and the conversion rate of the notes. We will make all these calculations in good faith and, absent manifest error, our calculations are final and binding on holders of notes. We will provide a schedule of our calculations to each of the trustee and the conversion agent, and each of the trustee and conversion agent is entitled to rely conclusively upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of notes upon the request of that holder.

### **Trustee**

The Bank of New York is the trustee, security registrar, paying agent, conversion agent and bid solicitation agent. The Bank of New York, in each of its capacities, including without limitation as trustee, security registrar, paying agent, conversion agent and bid solicitation agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

### **Governing law**

The indenture provides that it, the notes and the subsidiary guarantees are governed by, and construed in accordance with, the laws of the State of New York.

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**Description of capital stock**

The following summary of certain provisions of our capital stock is not complete and may not contain all the information you should consider before investing in the notes. You should refer to the applicable provisions of the following:

the Delaware General Corporation Law, as it may be amended from time to time;

our Restated Certificate of Incorporation, as it may be amended or restated from time to time; and

our By-laws, as they may be amended and restated from time to time.

**General**

Our Certificate of Incorporation, as amended, authorizes the issuance of a total of 100,000,000 shares of common stock, having one vote per share, and Class A stock, having ten votes per share (collectively, the Common Shares ) and 5,000,000 shares of Preferred Stock ( Preferred Stock ). The Common Shares and Preferred Stock each have a par value of \$.01 per share. Subject to the maximum number of authorized shares, the number of shares of authorized common stock and Class A stock shall be as established from time to time by our Board of Directors in its discretion. Without a separate class vote of the holders of common stock approving the same, we may not issue additional shares of Class A stock if the number of shares of Class A stock which would be outstanding immediately after such issuance would exceed 55% of the number of shares of common stock which would be outstanding immediately after such issuance.

Except as otherwise provided in this prospectus, all shares of common stock and Class A stock are identical and the holders thereof are entitled to the same rights and privileges. As of the date of this prospectus, we have only common stock outstanding.

**Voting rights**

**General**

Each share of common stock is entitled to one vote on all matters submitted to stockholders and each share of Class A stock is entitled to ten votes on all such matters. Except as otherwise provided by law, the holders of common stock and Class A stock will vote as a single class on all matters submitted to a vote of stockholders.

**Directors**

Our by-laws provide that our Board of Directors will be divided into three classes, each comprising approximately one-third of the members of the Board of Directors. The classes of directors serve staggered three-year terms. There is no cumulative voting for the election of directors.

**Dividends and other distributions**

The holders of common stock and Class A stock are entitled to receive such dividends as may be declared from time to time by our Board of Directors out of funds legally available therefor;

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subject, however, to the rights of the holders of any preferred stock. The holders of common stock, together with the holders of Class A stock, will have equal rights in any assets available for distribution to stockholders upon any liquidation of the Company, after satisfaction of the liquidation preference of any preferred stock then outstanding.

The common stock and the Class A stock are treated as a single series for purposes of dividends, so that no dividend may be paid on either class unless an equal dividend per share is paid on the other. However, payment of dividends on Common Shares (whether common stock or Class A stock) is subject to certain restrictions contained in the agreements under which our long-term indebtedness is outstanding. Under those agreements, we may not declare or pay any cash dividends on our Common Shares, or return any capital to the holders of Common Shares or authorize or make any other distribution, payment or delivery of property or cash to such holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration any Common Shares (any such action being referred to as a Dividend ), except within the limitations specified in those agreements.

### **No preemptive rights**

The holders of fully-paid shares of common stock have no preemptive rights or rights to convert their stock into any other securities and are not subject to future calls or assessments by the Company. All outstanding shares of common stock are, and the shares offered hereby by the Company upon issuance and sale will be, fully paid and non-assessable. There are no sinking fund provisions or redemption provisions applicable to the common stock.

### **Preferred stock**

We may elect to issue shares of our Preferred Stock, \$.01 par value, from time to time in one or more series. Shares of our Preferred Stock may have dividend, redemption, voting and liquidation rights taking priority over our common stock and Class A stock, and shares of Preferred Stock may be convertible into our common stock. The issuance of shares of Preferred Stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock and Class A stock and could adversely affect the rights and powers, including voting rights, of holders of shares of common stock and Class A stock. The existence of authorized and undesignated shares of Preferred Stock may also have an adverse effect on the market price of our common stock. In addition, the issuance of any shares of Preferred Stock could have the effect of delaying, deferring or preventing a change of control.

Our Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series without any approval of our stockholders. Our Board of Directors determines the rights, qualifications, restrictions and limitations relating to each series of our Preferred Stock at the time of issuance, and such rights, qualifications, restrictions and limitations may differ with respect to those of shares of Preferred Stock of a different series. Our Certificate of Incorporation, as amended, authorizes our Board of Directors, without further stockholder action, to provide for the issuance of up to 5,000,000 shares of Preferred Stock, in one or more series. As of the date of this prospectus, 100,000 shares of Preferred Stock have been designated as Series A Junior Participating Preferred Stock ( Series A Preferred Stock ), and no other shares of Preferred Stock have been designated. No shares of Preferred Stock are issued and outstanding as of the date of this prospectus. We may amend from time to time our Certificate of Incorporation to increase the number of authorized shares of Preferred Stock.



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For a complete description of any series of Preferred Stock issued by us, you should refer to the applicable Certificate of Amendment to our Restated Certificate of Incorporation or the applicable certificate of designations, as the case may be, establishing a particular series of preferred stock, in either case which will be filed with the Secretary of State of the State of Delaware.

The Preferred Stock will, when issued, be fully paid and nonassessable.

### **Dividend rights**

The Preferred Stock will be preferred over our common stock and Class A stock as to payment of dividends. Before any dividends or distributions (other than dividends or distributions payable in common stock) on our common stock will be declared and set apart for payment or paid, the holders of shares of each series of Preferred Stock will be entitled to receive dividends when, as and if declared by our Board of Directors. We will pay those dividends either in cash, shares of common stock or Preferred Stock or otherwise, at the rate and on the date or dates set forth in the applicable prospectus supplement. With respect to each series of Preferred Stock, the dividends on each share of the series will be cumulative from the date of issue of the share unless another date is set forth in the applicable terms of the series of Preferred Stock. Accruals of dividends will not bear interest.

### **Rights upon liquidation**

The Preferred Stock will be preferred over our common stock and Class A stock as to assets so that the holders of each series of Preferred Stock will be entitled to be paid, upon our voluntary or involuntary liquidation, dissolution or winding up and before any distribution is made to the holders of common stock, the amount set forth in the applicable prospectus supplement. However, in this case the holders of Preferred Stock will not be entitled to any other or further payment. If upon any liquidation, dissolution or winding up our net assets are insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding Preferred Stock are entitled, our entire remaining net assets will be distributed among the holders of each series of Preferred Stock in amounts proportional to the full amounts to which the holders of each series are entitled.

### **Redemption**

All shares of any series of Preferred Stock will be redeemable to the extent set forth in the applicable terms of the series of Preferred Stock. All shares of any series of Preferred Stock will be convertible into shares of our common stock or into shares of any other series of Preferred Stock to the extent set forth in the applicable terms of the series of Preferred Stock.

### **Voting rights**

Except as indicated in the applicable terms of the series of Preferred Stock, the holders of Preferred Stock will be entitled to one vote for each share of Preferred Stock held by them on all matters properly presented to stockholders. The holders of common stock, Class A stock and the holders of all series of Preferred Stock will vote together as one class.

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**Rights to purchase Series A Junior Participating Preferred Stock**

On January 27, 2005, our Board of Directors approved the execution of a Rights Agreement dated as of January 27, 2005 (the Rights Agreement ), between Calgon Carbon and StockTrans, Inc., as Rights Agent (the Rights Agent ). In connection with the implementation of the Rights Agreement, on January 27, 2005, our Board of Directors declared a dividend distribution of one Right to Purchase Series A Junior Participating Preferred Stock (a Right ) for each outstanding share of our common stock. The distribution was payable to the stockholders of record at the close of business on February 3, 2005, and was effective simultaneous with the expiration of the common stock acquisition rights granted under the Rights Agreement dated as of February 3, 1995, between Calgon Carbon and First Chicago Trust Company of New York, as Rights Agent.

Each Right entitles the registered holder to purchase from us one ten-thousandth of a share of a series of our preferred stock designated as Series A Preferred Stock at a price of \$35.00 per one ten-thousandth of a share (the Purchase Price ), subject to adjustment.

Initially, the Rights are attached to all common stock certificates representing shares outstanding, and no separate Rights certificates have been distributed. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the common stock and a distribution of Rights will occur upon the earlier of

ten business days following a public announcement that a person or group of affiliated or associated persons (an Acquiring Person ) has acquired beneficial ownership of 10% or more of the outstanding shares of common stock (15% or more, in the case of certain institutional investors, as described below) or

ten business days (or such later date as the Board of Directors shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person.

Notwithstanding the foregoing, a person will not be deemed to be an Acquiring Person if, among other things:

such person acquires beneficial ownership of in excess of 10% of the outstanding common stock as a result of repurchases of common stock by us, provided such person does not subsequently acquire any additional shares of common stock;

such person beneficially owns more than 10% of the outstanding common stock, but not more than 15% of the outstanding common stock, and reports such beneficial ownership on Schedule 13G; or

such person was a holder of 10% or more of the outstanding shares of common stock as of December 27, 2004, provided such person does not subsequently acquire beneficial ownership of additional shares representing 1% or more of the outstanding common stock, other than through inadvertence or under certain other circumstances.

Until the distribution of Rights, the Rights will be evidenced by the common stock certificates and will be transferred with and only with such common stock certificates. New common stock certificates issued after February 3, 2005 will contain a notation incorporating the Rights Agreement by reference. The surrender for transfer of any certificates for common stock outstanding will also constitute the transfer of the Rights associated with the common stock represented by such certificate.

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Pursuant to the Rights Agreement, we reserve the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Series A Preferred Stock will be issued.

The Rights are not exercisable until the distribution date and will expire at 5:00 P.M. (New York City time) on February 3, 2015, unless such date is extended or the Rights are earlier redeemed or exchanged by us as described below.

As soon as practicable after the distribution date, Rights certificates will be mailed to holders of record of the common stock as of the close of business on the distribution date and, thereafter, the separate Rights certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, only shares of common stock issued prior to the distribution date will be issued with Rights.

In the event that a person becomes an Acquiring Person, each holder of a Right will thereafter have the right to receive, upon exercise, common stock (or, in certain circumstances, cash, property or other of our securities) having a value equal to two times the exercise price of the Right. Notwithstanding any of the foregoing, following the occurrence of the event set forth in this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. Rights are not exercisable following the occurrence of any of the events set forth above until such time as the Rights are no longer redeemable by us as set forth below. For example, at an exercise price of \$35.00 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following any one of the events set forth in the preceding paragraph would entitle its holder to purchase \$70.00 worth of common stock (or other consideration, as noted above) for \$35.00. Assuming that the common stock had a per share value of \$10.00 at such time, the holder of each valid Right would be entitled to purchase seven shares of common stock for \$35.00.

In the event that, at any time following the date on which a person or group becomes an Acquiring Person (a Stock Acquisition Date ):

we engage in a merger or other business combination transaction in which we are not the surviving corporation;

we engage in a merger or other business combination transaction in which we are the surviving corporation and our common stock is changed or exchanged; or

50% or more of our assets, cash flow or earning power is sold or transferred,

each holder of a Right (except Rights which have previously been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The events set forth in this paragraph and in the second preceding paragraph are referred to as the Triggering Events.

Up to and including the tenth business day after a Stock Acquisition Date, we may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right, rounded to the nearest \$0.01, but not less than \$0.01. Promptly upon the action of our Board of Directors electing to redeem the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the \$0.001 Redemption Price.

If, at any time that the Rights become exercisable for common stock, we have insufficient authorized but unissued common stock to permit the issuance of all of the shares of common



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stock the holders of the Rights would be entitled to purchase, the Board of Directors may provide the holders of the Rights (other than the Acquiring Person) with cash, other equity securities or debt securities, take action to reduce the Purchase Price of the Rights or do any combination of the foregoing to ensure that holders of the Rights receive the intended benefits of the Rights.

At any time after a person becomes an Acquiring Person and prior to the acquisition by such person or group of fifty percent (50%) or more of the outstanding common stock, the Board of Directors may exchange the Rights (other than Rights owned by such person or group which have become null and void), in whole or in part, for common stock at an exchange ratio of one share of common stock, or one ten-thousandth of a share of Series A Preferred Stock (or of a share of a class or series of our preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of Calgon Carbon, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to us, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for our common stock (or other consideration) or for common stock of the acquiring company or in the event of the redemption of the Rights as set forth above.

Any of the provisions of the Rights Agreement may be amended by our Board of Directors prior to the distribution date. After the distribution date, the provisions of the Rights Agreement may be amended by the Board of Directors in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights, or to shorten or lengthen any time period under the Rights Agreement. The foregoing notwithstanding, no amendment may be made to the Rights Agreement at such time as the Rights are not redeemable, except to cure any ambiguity or correct or supplement any provision contained in the Rights Agreement which may be defective or inconsistent with any other provision therein.

The holder of each share of our common stock outstanding at the close of business on February 3, 2005, received one Right. So long as the Rights are attached to the common stock, one additional Right (as such number may be adjusted pursuant to the provisions of the Rights Agreement) shall be deemed to be delivered for each share of common stock issued or transferred by us in the future. In addition, following the distribution date and prior to the expiration or redemption of the Rights, we may issue Rights when we issue common stock only if the Board of Directors deems it to be necessary or appropriate, or in connection with the issuance of shares of common stock pursuant to the exercise of stock options or under employee plans or upon the exercise, conversion or exchange of certain of our securities. One hundred thousand (100,000) shares of Series A Preferred Stock were initially reserved for issuance upon exercise of the Rights.

The Rights may have certain anti-takeover effects. The Rights may cause substantial dilution to a person or group that attempts to acquire us in a manner which causes the Rights to become exercisable. The Rights, however, should not affect any prospective offeror willing to make an offer at a price that is fair and otherwise in the best interest of us and our stockholders. The Rights should not interfere with any merger or other business combination approved by the Board of Directors since the Board of Directors may, at its option, at any time until 10 business days following the Stock Acquisition Date redeem the then outstanding Rights at the Redemption Price or take other action to exempt such a transaction under the Rights Agreement.

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**Possible anti-takeover effect**

Certain of the provisions of our Restated Certificate of Incorporation and provisions of the Delaware General Corporation Law, either independent from or in conjunction with the Rights Agreement may be considered as having an anti-takeover effect. For instance, under certain circumstances, the Board of Directors could cause additional shares of common stock or shares of Preferred Stock to be issued or cause rights to purchase common stock or Preferred Stock to be issued to create voting impediments or to frustrate persons seeking to effect a takeover or gain control of the Company. The additional shares of common stock, shares of Preferred Stock or rights could be issued without any additional action by stockholders. Shares could be privately placed with purchasers who might join with the Board of Directors in opposing a hostile takeover bid or could be sold with or without an option or requirement on the part of the Company to repurchase the shares. The Board of Directors could also authorize holders of the Preferred Stock to vote as a class either separately or with the holders of common stock on any merger, sale or exchange of assets by the Company or any other extraordinary corporate transaction.

**Section 203 of the Delaware General Corporation Law**

We are a Delaware corporation subject to Section 203 of the DGCL. Section 203 provides in general that an interested stockholder acquiring more than 15% of the outstanding voting stock of a corporation subject to Section 203 but less than 85% of such stock may not engage in certain business combinations (as defined in Section 203) with the corporation for a period of three years subsequent to the date on which the stockholder became an interested stockholder unless:

prior to such date the corporation's board of directors approve either the business combination or the transaction in which the stockholder became an interested stockholder; or

the business combination is approved by the corporation's board of directors and authorized by a vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock of the corporation not owned by the interested stockholder.

A business combination includes mergers, asset sales and other transactions resulting in financial benefit to a stockholder. Section 203 could prohibit or delay mergers or other takeover or change of control attempts with respect to us and, accordingly, may discourage attempts that might result in a premium over the market price for the shares held by stockholders.

**Transfer agent and registrar**

The Transfer Agent and Registrar for the common stock is StockTrans, Inc., Ardmore, Pennsylvania.

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**Registration rights**

We and the subsidiary guarantors entered into a registration rights agreement with the initial purchaser of the notes concurrently with the issuance of the notes.

Pursuant to the registration rights agreement, we agreed for the benefit of the holders of the notes, the subsidiary guarantees and the common stock issuable upon conversion of the notes that we will, at our cost, subject to certain rights to suspend use of the shelf registration statement of which this prospectus is a part, use reasonable best efforts to keep the shelf registration statement of which this prospectus is a part effective until the date there are no longer any registrable securities.

Registrable securities means:

any notes and the subsidiary guarantees until the earliest of (i) their effective registration under the Securities Act and the resale of all such notes and subsidiary guarantees in accordance with the shelf registration statement, (ii) the date on which such notes and subsidiary guarantees are (A) sold pursuant to Rule 144 under circumstances in which any legend borne by such notes and subsidiary guarantees relating to restrictions on transferability thereof, under the Securities Act or otherwise, is removed or (B) freely transferable without restriction under Rule 144(k) or (iii) the date on which such notes have been converted (and the related subsidiary guarantees have been terminated) or otherwise cease to be outstanding;

the shares of common stock, if any, issuable upon conversion of the notes, until the earliest of (i) their effective registration under the Securities Act and the resale of all such shares in accordance with the shelf registration statement, (ii) the date on which such shares are (A) sold pursuant to Rule 144 under circumstances in which any legend borne by such shares relating to restrictions on transferability thereof, under the Securities Act or otherwise, is removed or (B) freely transferable without restriction under Rule 144(k) or (iii) the date on which such shares cease to be outstanding.

We are permitted to suspend the effectiveness of the shelf registration statement of which this prospectus is a part or the use of this prospectus during specified periods (not to exceed 120 days in the aggregate in any 12 month period) in specified circumstances, including circumstances relating to pending corporate developments. We need not specify the nature of the event giving rise to a suspension in any notice to holders of the notes of the existence of a suspension.

The following requirements and restrictions generally apply to a holder selling the securities pursuant to this prospectus:

the holder is required to be named as this selling securityholder in this prospectus;

the holder is required to deliver this prospectus to purchasers;

the holder is subject to some of the civil liability provisions under the Securities Act in connection with any sales; and

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the holder is bound by the provisions of the registration rights agreement which are applicable to the holder (including indemnification obligations).

We and the subsidiary guarantors agreed to pay predetermined additional interest as described herein ( additional interest ) to holders of the notes if this prospectus is unavailable for periods in excess of that permitted above. The additional interest will accrue until the unavailability is cured at a rate per year equal to 0.25% for the first 90 calendar days after the occurrence of the event and 0.5% thereafter of the outstanding principal amount thereof; *provided* that no additional interest will accrue with respect to any period after the second anniversary of the original issuance of the notes; and *provided further* that, if this prospectus is unavailable for periods in excess of that permitted above, additional interest shall accrue on only those notes that are registrable securities. No additional interest or other additional amounts will be payable in respect of shares of common stock which have been issued upon conversion of notes and are required to bear a restrictive legend in relation to any registration default.

The additional interest will accrue from and including the date on which any registration default occurs to but excluding the date on which all registration defaults have been cured. We will have no other liabilities for monetary damages with respect to our registration obligations, except that if we breach, fail to comply with or violate some provisions of the registration rights agreement, the holders of the notes may be entitled to equitable relief, including injunction and specific performance.

We will provide to each registered holder copies of this prospectus and take other actions that are required to permit, subject to the foregoing, unrestricted resales of the notes, the subsidiary guarantees and the shares of common stock issued upon conversion of the notes.

The summary herein of provisions of the registration rights agreement is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which is available upon request as described under Available information.

**Selling securityholders**

The notes were originally issued by us in an offering exempt from the registration requirements of the Securities Act to initial purchasers who represented to us that they were qualified institutional buyers. Each initial purchaser and institution that purchased the notes from the initial purchaser and who has provided us with a completed questionnaire setting forth the information specified below, and that selling securityholder's transferees, pledgees, donees and other successors which we refer to collectively as the selling securityholders, may from time to time offer and sell pursuant to this prospectus or any applicable prospectus supplement, any or all of the notes held by that selling securityholder, including the related guarantee, and common stock into which the notes are convertible.

The following table sets forth, to our knowledge, information as of November 28, 2007, with respect to the selling securityholders and the principal amounts of notes beneficially owned by each selling securityholder that may be offered under this prospectus. This information is based on information provided by or on behalf of the selling securityholders pursuant to the



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questionnaires referred to above. No holder of the notes may sell the notes, including the related guarantee, or shares of common stock without furnishing to us a questionnaire setting forth the information specified below.

The selling securityholders may offer all, some or none of the notes or common stock into which the notes are convertible. In addition, the selling securityholders may have sold, transferred or otherwise disposed of all or a portion of their notes since the date on which they provided the information regarding their notes in transactions exempt from the registration requirements of the Securities Act. No selling securityholder beneficially owns one percent or more of the notes or of our common stock, assuming conversion of the selling securityholders' notes, and no selling securityholder has had any material relationship with us or our affiliates within the past three years, except as otherwise indicated in the table below.

Information concerning the selling securityholders may change from time to time, and any changed information will be set forth in supplements to this prospectus if and when necessary. In addition, the conversion rate and, therefore, the number of shares of common stock issuable upon conversion of the notes, is subject to adjustment in the event of stock splits, stock dividends, reorganizations and similar events described in this prospectus.

<b>Name of Selling Securityholder</b>	<b>Principal Amount of Notes That May be Sold (1)</b>	<b>Percentage of Notes Outstanding (1)</b>	<b>Maximum Number of Shares of Common Stock That May be Sold (1)(2)</b>	<b>Percentage of Common Stock Outstanding (1)(3)</b>
AQR Absolute Return Master Account, L.P.(4)	\$ 11,000,000	14.67%	2,156,862	5.06%
Aristeia International Limited(5)	4,510,000	6.01%	884,313	2.14%
Aristeia Partners LP(6)	615,000	*	120,588	*
Aristeia Special Investments Master LP(5)	511,000	*	100,196	*
Citadel Equity Fund, Ltd.(7)	7,500,000	10.00%	1,470,588	3.51%
CNH CA Master Account, L.P.(8)	7,500,000	10.00%	1,470,588	3.51%
DBAG London(9)	7,500,000	10.00%	1,470,588	3.51%
Ellington Overseas Partners, LTD(10)	250,000	*	49,019	*
Guggenheim Portfolio Company XXXI, LLC(11)	854,000	1.14%	167,450	*
HFR RVA Combined Master Trust(12)	502,000	*	98,431	*
Highbridge International LLC(13)	8,125,000	10.83%	1,593,137	3.79%
J.P. Morgan Securities Inc.(14)	2,775,000	3.70%	544,117	1.33%
Linden Capital LP(15)	12,000,000	16.00%	2,352,940	5.49%
Mohican VCA Master Fund, Ltd.(16)	1,500,000	2.00%	294,117	*
Morgan Stanley & Co. Incorporated(17)	12,000,000	16.00%	2,352,940	5.49%
Polygon Global Opportunities Master Fund (18)	11,000,000	14.67%	2,156,862	5.06%
Vicis Capital Master Fund(19)	3,000,000	4.00%	588,235	1.43%
Whitebox Convertible Arbitrage Partners, L.P.(20)	7,444,000	9.93%	1,459,607	3.48%
	1,200,000	1.60%	235,294	*

Whitebox Diversified Convertible Arbitrage  
Partners, L.P.(20)

Total(1)	\$ 75,000,000	100.00%	14,705,880	26.65%
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\* Less than 1%.

- (1) The maximum principal amount of notes, including the related guarantee, and underlying shares of common stock that may be sold by selling securityholders pursuant to this prospectus may not exceed \$75,000,000 and 14,705,880 shares of common stock issuable upon conversion of the notes. The sum of the principal amount of notes beneficially owned by selling securityholders that are included in this prospectus is more than \$75,000,000 because certain of the selling securityholders may have transferred their notes in transactions exempt from the registration requirements of the Securities Act, or otherwise reduced their position prior to selling pursuant to this prospectus, and as a result, we have received beneficial ownership information from additional selling securityholders with respect to the same notes or shares of underlying common stock. Accordingly, there also may be additional holders of notes who have not yet returned a questionnaire to us.
- (2) Assumes conversion of all of the selling securityholder's notes at the initial conversion rate of 196.0784 shares of common stock per \$1,000 principal amount of the notes. However, the conversion rate will be subject to adjustment as described under Description of the notes Conversion rights. As a result, the amount of common stock issuable upon conversion of the notes may increase or decrease in the future.
- (3) Calculated based on 40,472,992 shares of common stock outstanding as of November 7, 2007. In calculating these percentages for each holder of notes, we also treated as outstanding that number of shares of common stock issuable upon conversion of the holder's notes. However, we did not assume the conversion of any other securities held by a different holder.
- (4) AQR Capital Management, LLC is Investment Advisor of the selling securityholder and has sole voting and dispositive power over these securities. Investment principals for AQR Capital Management, LLC are Clifford Asness, Robert Krail, John Liew, David Kabiller, Jacques Friedman, Oktay Kurbanov, Ronen Israel and Lars Nielsen.
- (5) Aristeia Capital LLC is the investment manager for the selling securityholder. Aristeia Capital LLC is jointly owned by Kevin Toner, Robert H. Lynch Jr., Anthony Frascella and William R. Techar, who have voting or investment control over these securities.
- (6) Aristeia Advisors LLC is the general partner for the selling securityholder. Aristeia Advisors LLC is jointly owned by Kevin Toner, Robert H. Lynch Jr., Anthony Frascella and William R. Techar, who have voting or investment control over these securities.
- (7) Citadel Limited Partnership is the trading manager of the selling securityholder and consequently has investment discretion over securities held by the selling securityholder. Citadel Investment Group, L.L.C. controls Citadel Limited Partnership. Kenneth C. Griffin controls Citadel Investment Group, L.L.C. and therefore has ultimate investment discretion over securities held by the selling securityholder. Citadel Limited Partnership, Citadel Investment Group, L.L.C. and Kenneth C. Griffin each disclaim beneficial ownership of the shares held by the selling securityholder. The selling securityholder has identified itself as an affiliate of a broker-dealer registered pursuant to section 15 of the Exchange Act. The selling securityholder has advised us that it purchased the securities reflected in this table as being owned by it in the ordinary course of business and, at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute those securities.

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- (8) CNH Partners, LLC is Investment Advisor of the selling securityholder and has sole voting and dispositive power over these securities. Investment principles for CNH Partners, LLC are Robert Krail, Mark Mitchell and Todd Pulvino.
- (9) Patrick Corrigan, a registered investment advisor under the Investment Advisors Act of 1940, has investment or voting power with respect to the securities listed for the selling securityholder but disclaims beneficial ownership of such securities. The selling securityholder has identified itself as an affiliate of a broker-dealer registered pursuant to Section 15 of the Exchange Act. The selling securityholder has advised us that it purchased the securities reflected in this table as being owned by it in the ordinary course of business and, at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute those securities.
- (10) Ellington Management Group, LLC is the investment adviser of the selling securityholder. Michael Vranos, as principal of Ellington Management Group, LLC, has voting and investment control over these securities. Mr. Vranos disclaims beneficial ownership over these securities except to the extent of any indirect ownership interest he may have in such securities through his economic participation in the selling securityholder.
- (11) Andrew Redleaf, managing member, exercises voting control and dispositive power with respect to the securities held by the selling securityholder.
- (12) Whitebox Advisors, LLC, as managing member of the selling securityholder, and Andrew Redleaf, as managing member of Whitebox Advisors, LLC, share voting and investment powers with respect to securities held by the selling securityholder.
- (13) Highbridge Capital Management, LLC is the trading manager of the selling securityholder and has voting control and investment discretion over the securities held by the selling securityholder. Glenn Dubin and Henry Swieca control Highbridge Capital Management, LLC and have voting control and investment discretion over the securities held by Highbridge Capital Management, LLC. Each of Highbridge Capital Management, Glenn Dubin and Henry Swieca disclaims beneficial ownership of the securities held by the selling securityholder.
- (14) The selling securityholder is an SEC-reporting company. The selling securityholder has identified itself as a registered broker-dealer pursuant to Section 15 of the Exchange Act and is therefore deemed to be an underwriter within the meaning of the Securities Act with respect to the securities being offered. Please see [Plan of Distribution](#) for required disclosure regarding the effect of classification as an underwriter. The selling securityholder was the sole book-running manager for the private offering of notes in August 2006.
- (15) Linden GP LLC is the general partner of the selling securityholder. Siu Min Wong, managing member of Linden GP LLC, has voting and investment powers with respect to these securities.
- (16) Mohican Financial Mgmt., LLC holds voting and investment power with respect to the securities held by the selling securityholder. Eric Hage and Daniel Hage are the sole members of Mohican Financial Mgmt., LLC.
- (17) The selling securityholder is a majority-owned subsidiary of Morgan Stanley, an SEC reporting company. The selling securityholder has identified itself as a registered broker-dealer pursuant to Section 15 of the Exchange Act and therefore may be deemed to be an underwriter within the meaning of the Securities Act with respect to these securities. Please see [Plan of Distribution](#) for required disclosure regarding the effect of classification as an underwriter.



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- (18) Polygon Investment Partners LLP and Polygon Investment Partners LP, Polygon Investments Ltd., Alexander E. Jackson, Reade E. Griffith and Patrick G. G. Dear share voting and dispositive power over the securities held by the selling securityholder. Polygon Investment Partners LLP and Polygon Investment Partners LP, Polygon Investments Ltd., Reade E. Griffith and Patrick G. G. Dear disclaim beneficial ownership of the securities held by the selling securityholder.
- (19) Vicis Capital LLC is the investment advisor of the selling securityholder and exercises voting and investment control over these securities. Shad Stastney, Sky Lucas and John Succo control Vicis Capital LLC but disclaim individual ownership of the securities.
- (20) Whitebox Convertible Arbitrage Advisors, LLC is the general partner of the selling securityholder. Whitebox Advisors LLC and Andrew Redleaf are managing members of Whitebox Convertible Arbitrage Advisors, LLC and share voting and investment powers with respect to these securities.

With respect to selling securityholders that have identified themselves as affiliates of broker-dealers, we believe that such entities acquired their notes or underlying common stock in the ordinary course of business and, at the time of the purchase of the notes or the underlying common stock, such selling securityholders had no agreements or understandings, directly or indirectly, with any person to distribute the notes or underlying common stock. To the extent that we become aware that such entities did not acquire their notes or underlying common stock in the ordinary course of business or did have such an agreement or understanding, we will file a post-effective amendment to the registration statement or a prospectus supplement to this prospectus, to designate such affiliate as an underwriter within the meaning of the Securities Act.

We prepared this table based on the information supplied to us by the selling securityholders named in the table. Unless otherwise disclosed in the footnotes to the table, no selling securityholder has indicated that it has held any position or office or had any other material relationship with us or our affiliates during the past three years. The selling securityholders listed in the above table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their notes since the date as of which the information is presented in the above table. Because the selling securityholders may offer all or some of their notes or the underlying common stock from time to time, we cannot estimate the amount of the notes or the underlying common stock that will be held by the selling securityholders upon the termination of any particular offering. See Plan of Distribution.

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**Material U.S. federal income and estate tax consequences**

The following general discussion represents the opinion of our counsel, Kirkpatrick & Lockhart Preston Gates Ellis LLP, as to the material U.S. federal income and estate tax consequences of the ownership of notes and the shares of common stock into which the notes may be converted, as of the date hereof. Except where noted, this summary deals only with a note or share of common stock held as a capital asset by a holder who purchased the notes on original issuance at its initial offering price, and does not represent a detailed description of the U.S. federal income and estate tax consequences applicable to you if you are subject to special treatment under the U.S. federal income or estate tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who is an investor in a pass-through entity;
- a U.S. person whose functional currency is not the U.S. dollar;
- a controlled foreign corporation ;
- a passive foreign investment company ; or
- a U.S. expatriate.

The summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code ), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income and estate taxes and does not deal with all tax considerations that may be relevant to holders in light of their personal circumstances.

For purposes of this discussion, a U.S. holder is a beneficial owner of a note that is:

- an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;



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an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term **non-U.S. holder** means a beneficial owner of a note or share of common stock (other than a partnership) that is not a U.S. holder. Special rules may apply to certain non-U.S. holders such as controlled foreign corporations and passive foreign investment companies. Such entities should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

If a partnership holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your own tax advisors.

**If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income and estate tax consequences to you of the ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

### **U.S. holders**

The following discussion is a summary of the material U.S. federal income tax consequences that will apply to you if you are a U.S. holder of notes.

### **Payment of interest**

Interest on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your usual method of accounting for tax purposes.

### **Sale, exchange, redemption, or other disposition of notes**

Except as provided below under **Conversion of notes into common stock, cash or a combination thereof** you will generally recognize gain or loss upon the sale, exchange, redemption or other disposition of a note equal to the difference between the amount realized (less accrued interest which will be taxable as such) upon the sale, exchange, redemption or other disposition and your adjusted tax basis in the note. Your tax basis in a note will generally be equal to the amount you paid for the note. Any gain or loss recognized on a taxable disposition of the note will be capital gain or loss. If you are an individual and have held the note for more than one year, such capital gain will be subject to preferential rates of taxation. Your ability to deduct capital losses may be limited.

### **Conversion of notes into common stock, cash or a combination thereof**

If you receive solely cash in exchange for your notes upon conversion or repurchase, your gain or loss will be determined in the same manner as if you disposed of the notes in a taxable disposition (as described above under **Sale, exchange, redemption or other disposition of notes** ). If a combination of cash and common stock is received in exchange for your notes

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upon conversion or repurchase, we intend to take the position that gain, but not loss, will be recognized equal to the excess of the fair market value of the common stock and cash received (other than amounts attributable to accrued interest, which will be treated as such, and cash in lieu of a fractional share) over your adjusted tax basis in the note (excluding the portion of the tax basis that is allocable to any fractional share), but in no event should the gain recognized exceed the amount of cash received. The amount of gain or loss recognized on the receipt of cash in lieu of a fractional share will be equal to the difference between the amount of cash you receive in respect of the fractional share and the portion of your adjusted tax basis in the note that is allocable to the fractional share.

The tax basis of the shares of common stock received upon a conversion (other than common stock attributable to accrued interest, the tax basis of which will equal its fair market value) will equal the adjusted tax basis of the note that was converted (excluding the portion of the tax basis that is allocable to any fractional share), reduced by the amount of any cash received (other than cash received in lieu of a fractional share or cash attributable to accrued interest), and increased by the amount of gain, if any, recognized (other than with respect to a fractional share). Your holding period for shares of common stock will include the period during which you held the notes except that the holding period of any common stock received with respect to accrued interest will commence on the day after the date of receipt.

You should consult your tax advisors regarding the tax treatment of the receipt of cash and stock in exchange for notes upon conversion and the ownership of our common stock.

## **Constructive distributions**

The conversion rate of the notes will be adjusted in certain circumstances. Under Section 305(c) of the Code, adjustments (or failures to make adjustments) that have the effect of increasing your proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution to you. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the holders of the notes, however, will generally not be considered to result in a deemed distribution to you. Certain of the possible conversion rate adjustments provided in the notes (including, without limitation, adjustments in respect of taxable dividends to holders of our common stock and as discussed in [Registration rights](#) and in [Description of notes](#) Adjustment to shares delivered upon conversion upon certain fundamental changes ) may not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made and such adjustments do not qualify as being made pursuant to a bona fide reasonable adjustment formula, the U.S. holders of notes will be deemed to have received a distribution even though they have not received any cash or property as a result of such adjustments. Any deemed distributions will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings and profits rules under the Code. It is not clear whether a constructive dividend deemed paid to a non-corporate holder would be eligible for the preferential rates of U.S. federal income tax. It is also unclear whether corporate holders would be entitled to claim the dividends received deduction with respect to any such constructive dividends.

## **Information reporting and backup withholding**

Information reporting requirements generally will apply to payments of interest on the notes and dividends on shares of common stock and to the proceeds of a sale of a note or share of common stock paid to you unless you are an exempt recipient such as a corporation. A backup withholding

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tax will apply to those payments if you fail to provide your taxpayer identification number, or certification of exempt status, or if you fail to report in full interest and dividend income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service (the IRS ).

### **Non-U.S. holders**

The following is a summary of the U.S. federal tax consequences that will apply to you if you are a non-U.S. holder of notes or shares of common stock.

### **Payments of interest**

The 30% U.S. federal withholding tax will not apply to any payment to you of interest on a note under the portfolio interest rule provided that:

interest paid on the note is not effectively connected with your conduct of a trade or business in the United States

you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable U.S. Treasury regulations;

you are not a controlled foreign corporation that is related to us through stock ownership;

you are not a bank whose receipt of interest on a note is described in section 881(c)(3)(A) of the Code; and

either (a) you provide your name and address on an IRS Form W-8BEN (or other applicable form), and certify, under penalties of perjury, that you are not a U.S. person or (b) you hold your notes through certain foreign intermediaries and satisfy the certification requirements of applicable U.S. Treasury regulations.

Special rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals.

If you cannot satisfy the requirements described above, payments of interest made to you will be subject to the 30% U.S. federal withholding tax, unless you provide us with a properly executed:

IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

IRS Form W-8ECI (or other applicable form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

The 30% U.S. federal withholding tax generally will not apply to any gain that you realize on the sale, exchange, retirement or other disposition of a note.

If you are engaged in a trade or business in the United States and interest on the notes is effectively connected with the conduct of that trade or business and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, then you will be



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subject to U.S. federal income tax on that interest on a net income basis (although you will be exempt from the 30% United States federal withholding tax, provided the certification requirements discussed above in Payments of interest are satisfied) in the same manner as if you were a U.S. person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of earnings and profits for the taxable year, subject to adjustments, that are effectively connected with your conduct of a trade or business in the United States.

### **Dividends and constructive dividends**

Any dividends paid to you with respect to the shares of common stock (and any deemed dividends resulting from certain adjustments, or failure to make adjustments, to the conversion rate including, without limitation, adjustments in respect of taxable dividends to holders of our common stock, see U.S. holders Constructive distributions above) will be subject to withholding tax at a 30% rate (or lower applicable income tax treaty rate). However, dividends that are effectively connected with the conduct of a trade or business within the United States and, where a tax treaty applies, are attributable to a U.S. permanent establishment, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification requirements and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding. Any such effectively connected income received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or lower applicable income tax treaty rate).

A non-U.S. holder of shares of common stock who wishes to claim the benefit of an applicable treaty rate is required to satisfy applicable certification and other requirements. If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

### **Sale, exchange, redemption, conversion or other disposition of notes or shares of common stock**

Any gain recognized on the sale, exchange, redemption or other taxable disposition of a note or share of common stock and as well as upon the conversion of a note into cash or into a combination of cash and common stock generally will not be subject to U.S. federal income tax unless:

that gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment);

you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes.

If you are an individual described in the first bullet point above, you will be subject to tax on the net gain derived from the sale, exchange, redemption, conversion or other taxable disposition under regular graduated U.S. federal income tax rates. If you are an individual described in the second bullet point above, you will be subject to a flat 30% tax on the gain

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derived from the sale, exchange, redemption, conversion or other taxable disposition, which may be offset by U.S. source capital losses, even though you are not considered a resident of the United States. If you are a foreign corporation that falls under the first bullet point above, you will be subject to tax on your net gain in the same manner as if you were a U.S. person as defined under the Code and, in addition, you may be subject to the branch profits tax equal to 30% of your effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Any common stock which you receive on the sale, exchange, redemption, conversion or other disposition of a note which is attributable to accrued interest will be subject to U.S. federal income tax in accordance with the rules for taxation of interest described above under Payments of interest.

We believe that we are not and do not anticipate becoming a U.S. real property holding corporation for U.S. federal income tax purposes.

**U.S. federal estate tax**

Your estate will not be subject to U.S. federal estate tax on notes beneficially owned by you at the time of your death, provided that any payment to you on the notes would be eligible for exemption from the 30% U.S. federal withholding tax under the portfolio interest rule described above under Payments of interest without regard to the statement requirement described in the last bullet point. However, shares of common stock held by you at the time of your death will be included in your gross estate for U.S. federal estate tax purposes unless an applicable estate tax treaty provides otherwise.

**Information reporting and backup withholding**

Generally, we must report to the IRS and to you the amount of interest and dividends paid to you and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

In general, you will not be subject to backup withholding with respect to payments of interest or dividends that we make to you provided that we do not have actual knowledge or reason to know that you are a U.S. person, as defined under the Code, and we have received from you the statement described above in the last bullet point under Payments of interest.

In addition, no information reporting or backup withholding will be required regarding the proceeds of the sale of a note made within the United States or conducted through certain U.S.-related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge or reason to know that you are a U.S. person, as defined under the Code, or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the IRS.

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**Plan of distribution**

We will not receive any of the proceeds of the sale of the notes, including the related guarantee, and the common stock issuable upon conversion of the notes offered by this prospectus. The notes, including the related guarantees, and the underlying common stock may be sold from time to time to purchasers:

directly by the selling securityholders; or

through underwriters, broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling securityholders or the purchasers of the notes and the underlying common stock.

The selling securityholders and any underwriters, broker-dealers or agents who participate in the distribution of the notes and the common stock issuable upon conversion of the notes may be deemed to be underwriters within the meaning of the Securities Act. As a result, any profits on the sale of the underlying common stock by the selling securityholders and any discounts, commissions or concessions received by any such broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. If the selling securityholders were deemed to be underwriters, the selling securityholders may be subject to liabilities including, but not limited to, those of Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

If the notes and the common stock issuable upon conversion of the notes are sold through underwriters or broker-dealers, the selling securityholders will be responsible for underwriting discounts or commissions or agent's commissions.

The notes and the common stock issuable upon conversion of the notes may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

varying prices determined at the time of sale; or

negotiated prices.

These sales may be effected in transactions:

on any national securities exchange or quotation service on which the notes and underlying common stock may be listed or quoted at the time of sale, including the New York Stock Exchange in the case of the underlying common stock;

in the over-the-counter market;

in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

through the writing of options.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the transaction.





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In connection with the sales of the notes and the common stock issuable upon conversion of the notes or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers. These broker-dealers may in turn engage in short sales of the notes and the underlying common stock in the course of hedging their positions. The selling securityholders may also sell the notes and the underlying common stock short and deliver the notes and the underlying common stock to close out short positions, or loan or pledge notes and the underlying common stock to broker-dealers that, in turn, may sell the notes and the underlying common stock.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the notes and the common stock issuable upon conversion of the notes by the selling securityholders. The selling securityholders may decide not to sell all or a portion of the notes and the underlying common stock offered by them pursuant to this prospectus or may decide not to sell notes or the underlying common stock under this prospectus. In addition, any selling securityholder may transfer, devise or give the notes and the underlying common stock by other means not described in this prospectus. Any notes or underlying common stock covered by this prospectus that qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act, or Regulation S under the Securities Act, may be sold under Rule 144 or Rule 144A or Regulation S rather than pursuant to this prospectus.

Our common stock is currently traded on the New York Stock Exchange under the ticker symbol CCC. We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. The notes originally issued in the private offering are eligible for trading on The PORTAL<sup>sm</sup> Market of the National Association of Securities Dealers, Inc. However, notes sold pursuant to this prospectus will no longer be eligible for trading on The PORTAL<sup>sm</sup> Market. Accordingly, no assurance can be given as to the development of liquidity or any trading market for the notes.

The selling securityholders and any other persons participating in the distribution of the notes or the common stock issuable upon conversion of the notes will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the notes and the underlying common stock by the selling securityholders and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the notes and the underlying common stock to engage in market-making activities with respect to the particular notes and underlying common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the notes and the underlying common stock and the ability to engage in market-making activities with respect to the notes and the underlying common stock.

Under the registration rights agreement entered into with the initial purchasers of the notes issued in the private offering, we agreed to, at our expense, use commercially reasonable efforts to keep the registration statement of which this prospectus is a part effective until the earliest of:

the date when the holders of transfer restricted notes and shares of common stock issuable upon conversion of the notes are able to sell all such securities immediately without restriction under Rule 144(k) under the Securities Act;

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the date when all transfer restricted notes and shares of common stock issuable upon conversion of the notes are registered under the registration statement of which this prospectus is a part and sold pursuant to such registration statement; and

the date when all transfer restricted notes and shares of common stock issuable upon conversion of the notes have ceased to be outstanding (whether as a result of repurchase and cancellation, conversion or otherwise).

We may suspend the holder's use of the prospectus for a period not to exceed 45 days in any 90-day period, and not to exceed an aggregate of 90 days in any 360-day period, if

the prospectus would, in our reasonable judgment, contain a material misstatement or omission as a result of an event that has occurred and is continuing, and

we reasonably determine that the disclosure of this material non-public information would have a material adverse effect on us and our subsidiaries taken as a whole.

However, if the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede our ability to consummate such transaction, we may extend the suspension period from 45 days to 60 days. Each holder, by its acceptance of the notes, agrees to hold any communication by us in confidence.

Under the registration rights agreement we entered into in connection with the issuance of the notes, we and the selling securityholders will each indemnify the other against certain liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection with these liabilities.

We also agreed to pay liquidated damages to certain holders of the notes and the shares of common stock issuable upon conversion of the notes if the prospectus is unavailable for periods in excess of those permitted.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the notes and the common stock issuable upon conversion of the notes to the public, other than commissions, fees and discounts of underwriters, brokers, dealers and agents.

**Legal matters**

The validity of the is