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W R GRACE & CO
Form 8-K
September 25, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 23, 2002

W. R. GRACE & CO.

(Exact name of registrant as specified in its charter)

Delaware

1-13953

65-0773649

(State or other jurisdiction
of incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

7500 Grace Drive, Columbia, Maryland 21044

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 410/531-4000

(Former name or former address, if changed since last report)

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Item 5. Other Matters.

On September 23, 2002, W. R. Grace & Co. ("Grace") filed a motion in its Chapter 11 bankruptcy proceeding requesting that the Delaware bankruptcy court authorize Grace to enter into a settlement agreement with the Internal Revenue Service ("IRS") in connection with deductions of interest on loans secured by corporate owned life insurance ("COLI") policies. As disclosed in Grace's periodic reports, the IRS has challenged deductions of interest on loans secured by COLI policies. The tax years at issue are 1989-1998. Under the terms of the proposed settlement, the government would allow 20% of the aggregate amount of the COLI interest deductions and Grace would owe federal income tax and interest on the remaining 80%. Grace has accrued for the potential tax and interest liability related to the disallowance of all COLI interest deductions and continues to accrue interest as part of its quarterly tax provision. The bankruptcy court motion is filed as an exhibit hereto and is incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

W. R. GRACE & CO.

(Registrant)

By /s/ Mark A. Shelnitz

Mark A. Shelnitz
Secretary

Dated: September 25, 2002

W. R. GRACE & CO.

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Exhibit Index

| Exhibit No. ----- | Description ----- |
|----------------------|--|
| 99.1 | Motion For The Entry Of An Order Authorizing The Debtors To Enter Into A Settlement Agreement With The Internal Revenue Service In Connection With Interest Deductions Claimed With Respect To |

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Corporate Owned Life Insurance