Exhibit 1

Confidential – Subject to Protective Order

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: Mallinckrodt PLC, et al., Reorganized Debtor.	
Opioid Master Disbursement Trust II, Plaintiff, vs. Covidien Unlimited Company, Covidien Group Holdings LTD., Covidien International Finance S.A., Covidien Group S.A R.L., and DOE Defendants 1-500 Defendant.	Adv. Proc. No. 22-50433 (JTD)

Declaration of Franck Risler

October 21, 2024

I. Introduction

1.1. I, Franck Risler, hereby declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

1.2. I submit this declaration in opposition to *Covidien's Motion for Summary Judgment Based on Section 546(e) Safe Harbor* ("Covidien Motion"), which was submitted on behalf of Covidien Unlimited Company (f/k/a Covidien Ltd. and Covidien plc) ("Covidien plc"), Covidien Group Holdings Ltd. (f/k/a Covidien Ltd.) ("Covidien Ltd."), Covidien International Finance S.A. ("CIFSA"), and Covidien Group S.A.R.L. ("Covidien Sarl") (collectively, the "Covidien Defendants") in the litigation brought by the Opioid Master Disbursement Trust II (the "Trust") identified in the caption set out above.[1]

1.3. I am a Senior Managing Director at FTI and leader of the Securities, Commodities, and Derivatives practice. I assist clients on a wide range of transactional, advisory, and contentious matters involving securities, commodities and derivative products across asset classes. I have more than 25 years of industry experience in Finance and Commodities. I have traded global markets across asset classes (both on the sell-side and the buy-side), built and managed leading trading businesses, and advised on high-profile transactions and litigation in global capital markets, crypto, and commodity industries. I have been appointed to the Expert Panel of P.R.I.M.E Finance.[2]

[1] The Trust is charged, *inter alia*, with investigating and prosecuting certain claims for the benefit of Mallinckrodt's unsecured creditors, which include the many victims of the opioid crisis, including individuals who suffered bodily injuries, including addiction, overdose, other sickness and disease, and death, and babies born with neonatal abstinence syndrome, due to the opioid products that Mallinckrodt and its affiliates marketed and sold, as well as for the benefit of all States and territories, their political subdivisions, Native American tribes, hospitals, emergency room physicians, insurance ratepayers, and third-party payors, that hold claims against Mallinckrodt based on their role in causing, perpetuating, and exacerbating the opioid crisis.

[2] The Panel of Recognized International Market Experts in Finance (P.R.I.M.E. Finance). The Panel is composed of more than

1.4. My work at FTI includes independent expertise and testimony in disputes, litigation, and arbitration; complex valuation matters including structured derivatives and customized business valuation; transactions (e.g., M&A) and restructuring advisory; risk management and derivatives hedging advisory; business transformation; integrated due diligence; independent business review. My clients include banks, brokers dealers, asset managers, hedge fund managers, private equity firms, trading venues, regulators, legislators, brokers, commodity traders, energy companies (including upstream, midstream, and downstream operators), as well as mining and metal processing firms.

1.5. I have extensive knowledge of securities and derivatives trading across asset classes. I held several critical and essential trading roles at CIBC, including but not limited to, Global Head of Interest-Rate Derivatives Trading and member of the Fixed-Income and Currencies management committee, Head of Equity Derivatives Trading Europe and Asia (franchise and proprietary businesses), Co-Global Head of Commodity Trading, and Global Head of Equity Exotics Trading and Hybrid Derivatives Trading.

1.6. I hold a PhD in Numerical Mathematics from Ecole Normale Superieure Paris-Saclay, France and a MSc in Management from ESSEC Business School, France. I published several papers on numerical algorithms in international journals (e.g., "Contemporary Mathematics," "Numerical Algorithms" and "International Journal for Numerical Methods in Engineering") and was awarded the "SEYMOUR CRAY PRIZE" of France in 1997 in recognition of my works in the field of numerical mathematics and high-performance computing.

200 international legal and financial experts including current and former judges from a number of jurisdictions, bankers, regulators, general counsel of major international banks, renowned academics and market participants. All are world leaders in the field of finance and dispute resolution.

1.7. A copy of my *curriculum vitae*, along with a list of my testimony over the past four years, is attached as **Appendix A**.

1.8. This declaration is based on my training and experience, public sources, and my review of relevant documents. A list of documents that I considered is attached as **Appendix B**. If called upon to testify, I would testify to the facts set forth herein.

I.A. Assignment

1.9. Co-Counsel for the Trust, Caplin & Drysdale ("Counsel"), has asked me to review and comment on the opinions and analyses offered in the Covidien Motion and Declaration of Benjamin Wood ("Wood Declaration") regarding the seven series of notes issued by CIFSA (the "Issuer") between October 2007 and May 2013 ("CIFSA Senior Notes" or "Notes"). The CIFSA Senior Notes were issued pursuant to indentures among CIFSA, Covidien plc, Covidien Ltd., and Deutsche Bank Trust Company Americas. In this report, I refer to the indenture dated October 22, 2007 as the "Base Indenture" and the supplemental indentures dated between 2007 and 2015 as the "Supplemental Indentures." Collectively, the Base Indenture and Supplemental Indentures are referred to as the "CIFSA Indentures."

1.10. Counsel has asked me to opine on the reasonableness of considering the call and put features embedded in the CIFSA Indentures as "option contracts."[3]

1.11. Counsel has also asked me to review and comment on the related opinions and analyses in the Covidien Motion and the Wood Declaration regarding Covidien plc and Covidien Ltd. as guarantors of the CIFSA Senior Notes.

[3] Covidien Motion, pp. 5-6.

1.12. Moreover, I have been asked to explain the type of the derivatives contracts held by Covidien Sarl and their economic characteristics. As such, I have also reviewed the Declaration of Tim Husnik dated July 9, 2024 ("Husnik Declaration") and corresponding exhibits, as well as documents produced by Covidien Defendants on September 23, 2024, which included Covidien Sarl's notional balance reports and financial statements.

1.13. In addition, Counsel has asked me to review the Trust Indenture between the Economic Development Authority of Henrico County, Virginia, and SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, dated as of January 1, 2000. Pursuant to this indenture, industrial revenue bonds were issued on behalf of White Oak Semiconductor, which was a predecessor of Qimonda North America Corp. and Qimonda Richmond, LLC (the entities collectively as "Qimonda," the bonds as "Qimonda Bonds," and the indenture as the "Qimonda Indenture").[4] A copy of the Qimonda Indenture is attached as **Appendix C**.

1.14. Counsel has also asked me to review a trust indenture between SOI Funding Corp. and HSBC Bank USA, dated July 9, 2002. Pursuant to this indenture, and a supplemental indenture dated July 25, 2002, $223 million of 11.25% Senior Secured Notes Due 2009 were issued by Solutia Inc. ("Solutia," the 2009 notes as "Solutia Notes," and the indentures, as amended and supplemented, as the "Solutia Indenture").[5] A copy of the Solutia Indenture is attached as **Appendix D**.

[4] Memorandum Opinion of Mary F. Walrath, dated March 26, 2012. *EPLG I, LLC ex rel. QR Liquidating Trust v. Citibank, National Ass'n (In re Qimonda Richmond, LLC)*, 467 B.R. 318 (Bankr. D. Del. 2012).

[5] Memorandum Decision of Prudence Carter Beatty On Joint Motion For Partial Summary Judgment With Respect To Claim No. 6210 (11.25% Senior Secured Notes), dated November 9, 2007. *In re Solutia Inc.*, 379 B.R. 473 (Bankr. S.D.N.Y. 2007).

1.15. I understand that my opinions provide insight into whether Covidien plc, Covidien Ltd., CIFSA, and Covidien Sarl are qualified as "financial participants" under the Bankruptcy Code. However, I am not offering a legal opinion or legal interpretations of the terms. My expert opinions pertain to the understanding of financial instruments and their features from a finance and economics perspective.

1.16. My work in this matter is ongoing and I reserve the right to supplement my opinions and conclusions in the event that additional documents or other materials become available. My work in this matter is charged based on an hourly rate of $1,400 and hourly rates of $650 and $1,000 for personnel who have assisted me. My compensation is not contingent on the conclusions reached or on the ultimate resolution of this matter.

I.B. Summary of Opinions

2.1. Based on my training, experience, and analyses discussed in the remainder of my declaration, I have reached the following opinions.

a. The CIFSA Indentures include clauses that describe CIFSA's optional redemption rights ("embedded call features"). They also include clauses that give noteholders the right to require CIFSA to repurchase the Notes at a pre-specified price upon a change-of-control event ("embedded put features"). These are structural features of the CIFSA Indentures. These features are inseparable from the underlying debt instruments and should not be classified as independent "option contracts."

i. The embedded call and put features are not standalone financial contracts – they cannot be detached from the CIFSA Senior Notes and traded separately. Unlike standard options that are actively traded on exchanges or over-the-counter markets, allowing holders to enter or exit positions freely, the embedded call and put features cannot be transferred or assigned to another party independently of the Notes.

ii. Embedded call and put features are common structural features used to enhance the flexibility and marketability of debt instruments. They do not change the debt instruments' fundamental economic characteristics. The prevalence of call and put features embedded in the debt instruments underscores their role as market-standard features, not as standalone instruments that alter the nature of the debt.

iii. The CIFSA Indentures' embedded call features include "make-whole," "tax redemption," and "clean-up" call features. The make-whole call features allow the Issuer to redeem the Notes early while compensating noteholders for the lost interest payments. The tax redemption call features enable the Issuer to avert adverse impacts of potential changes to tax law or regulations. The clean-up call features allow the Issuer to redeem the Notes up to three months before the maturity. Unlike standard call option contracts, these embedded call features are only exercisable by the Issuer and are not transferable.

iv. The CIFSA Indentures' embedded put features protect noteholders from potential changes in the Issuer's creditworthiness or financial position following a change of control event. Unlike standard put options, these embedded features are not linked to the price of the referenced securities and can only be exercised in the event of a change of control. The Issuer's repayment obligation cannot be transferred or assumed by another party. This means the embedded put features cannot be traded by other market participants, unlike standard put option contracts.

b. Covidien plc and Covidien Ltd. are affiliated guarantors of the CIFSA Senior Notes, providing a guarantee for the payment of principal and interest on these Notes. Unlike option contracts, which grant holders the right but not the obligation to buy or sell an underlying asset, the guarantees from Covidien plc and Covidien Ltd. are *absolute and unconditional obligations* to fulfill their commitment.

i. The guarantees from Covidien plc and Covidien Ltd. are a form of credit enhancement that strengthens the Notes' credit risk profile. They are distinct from option contracts and not transferrable to other market participants.

ii. The embedded call and put features of the CIFSA Indentures are not option contracts. Consequently, the Covidien Motion's claim that Covidien plc and Covidien Ltd. guaranteed CIFSA's "option contracts" is inaccurate.

c. From February 4, 2020 to October 12, 2020, Covidien Sarl's derivatives contracts were comprised exclusively of foreign exchange ("FX") forwards. An FX forward contract is an agreement between two counterparties to purchase or sell a specific quantity of currency at a predetermined exchange rate on a specific date in the future. FX forwards are not interest-bearing derivatives. At maturity, based on the predetermined exchange rate, physical currencies are exchanged (for deliverable forwards) or cash settlement is made (for non-deliverable forwards). No form of interest payments are exchanged while the FX forward contracts are outstanding. Given that FX forwards are non-interest-bearing instruments, the *notional amount* in an FX forward contract should not be construed as a *notional principal amount*, where the latter is used to calculate periodic interest payments for interest-bearing instruments.

d. My review of the Qimonda Indenture shows that it contains embedded call features that grant White Oak Semiconductor (Qimonda's predecessor) the right to redeem the Qimonda Bonds early, as well as an optional redemption provision enabling Qimonda to redeem the bonds in response to specific extraordinary events. Like the embedded call features of the CIFSA Indentures, the embedded call features of the Qimonda Indenture allow the debt issuer to modify payment flows and the amount of the debt under pre-specified circumstances. These features do not alter the fundamental economic characteristics of debt instruments or their primary purpose of raising capital. They are integral to the Qimonda Bonds and are not separate standalone option contracts.

e. My review of the Solutia Indenture shows that it contains embedded call features that allow Solutia to redeem the Solutia Notes early under certain pre-specified conditions. Additionally, like the CIFSA Indentures, the Solutia Indenture includes embedded put features triggered by a change of control event. Both the call and put features in the Solutia Indenture operate like those in the CIFSA Indentures, allowing for modifications to the payment flow and amount of the debt under pre-specified circumstances. These features do not alter the fundamental economic characteristics of debt instruments or their primary purpose of raising capital. They are integral to the Solutia Notes and are not separate standalone option contracts.

II. Background

II.A. The Covidien Entities

2.2. Formed in 2007, Covidien was a global healthcare technology company that specialized in medical devices and supplies.[6] On June 28, 2013 (the "Spin Date"), Covidien's specialty pharmaceuticals business segment was separated from Covidien and transferred to Mallinckrodt in a spin-off to shareholders, while Covidien maintained the medical device business.[7] Covidien was acquired by Medtronic in January 2015.[8]

[6] According to Covidien plc Form 10-K for the fiscal year ended September 27, 2013, p. 5: "Covidien Ltd. was incorporated in Bermuda in 2000 as a wholly-owned subsidiary of Tyco International Ltd. On June 29, 2007, Tyco International distributed all of our shares to Tyco International shareholders." See also Covidien plc Form 8-K dated June 4, 2009.

[7] "Mallinckrodt plc Begins Trading on New York Stock Exchange," July 1, 2013, Business Wire. Available at https://www.mallinckrodt.com/about/news-and-media/news-detail/?id=6976.

[8] Medtronic, Inc. Form 8-K dated January 26, 2015.

2.3. As part of the spin-off, Mallinckrodt became a publicly traded company under the ticker "MNK." Primarily due to settlements and fines arising from the longstanding opioid crisis and ensuing litigation, Mallinckrodt eventually filed for Chapter 11 bankruptcy on October 12, 2020 (the "Filing Date").[9] A timeline of key Covidien events is shown in **Exhibit 1**.

2.4. **Figure 1** below illustrates the ownership structure of Covidien Defendants. Covidien Sarl was a wholly-owned subsidiary of CIFSA, which in turn was a wholly-owned subsidiary of Covidien Ltd. Covidien Ltd. was a wholly-owned subsidiary of Covidien plc, the ultimate parent company.[10]

Figure 1. Ownership Structure of the Covidien Defendants

[9] Mallinckrodt Voluntary Petition for Non-Individuals Filing for Bankruptcy, filed October 12, 2020.

[10] According to Covidien Form 10-K for the fiscal year ended September 26, 2014: "On May 28, 2009, shareholders voted in favor of a reorganization proposal pursuant to which Covidien Ltd. common shares would be canceled and holders of such shares would receive ordinary shares of Covidien plc on a one-to-one basis. The reorganization transaction was completed on June 4, 2009, […], at which time Covidien plc replaced Covidien Ltd. as the ultimate parent company." See also Opinion of John T. Dorsey dated January 18, 2024 (at footnote 2), *Opioid Master Disbursement Tr. II v. Covidien Unlimited Co. (In re Mallinckrodt PLC)*, 20-12522 (JTD) (Bankr. D. Del. Jan. 18, 2024).

II.B. The CIFSA Senior Notes

2.5. The CIFSA Senior Notes had maturities ranging from May 2015 to October 2037 and were guaranteed by Covidien plc and Covidien Ltd.[11] Upon acquiring Covidien in 2015, and pursuant to the Ninth Supplemental Indenture, Medtronic "provided a full and unconditional guarantee of the obligations of CIFSA under its [Senior Notes]."[12] **Exhibit 2** lists the seven series of the CIFSA Senior Notes.

2.6. The embedded call features granted CIFSA the right to redeem the Notes prior to the Notes' maturity dates. Specifically, the embedded call features for all seven series allow for early redemption by the Issuer via a "make-whole" call. As **Exhibit 3** shows, these "make-whole" call features give CIFSA the option to redeem the Notes at any point prior to maturity while compensating investors via a make-whole spread (e.g., "Treasuries plus 25 basis points"). With respect to the early redemption "make-whole" provision, the Supplemental Indentures included language similar to the excerpt below:[13]

> *The Offered Securities will be redeemable at a Redemption Price equal to the greater of (i) 100% of the principal amount […] and (ii) an amount […] equal to the sum of the present values of the remaining scheduled payments of principal and interest thereon due on any date after the Redemption Date […] discounted […] at the Adjusted Redemption Treasury Rate plus (A) 15 basis points in the case of the 2015 Notes and (B) 25 basis points in the case of the 2022 Notes […].*

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[11] See **Exhibit 2**. Upon becoming the ultimate parent company of Covidien Ltd. in 2009, Covidien plc was added "[…] as an additional guarantor under the [Base and Prior Supplemental Indentures] with respect to the Securities outstanding as of the date hereof and Securities that may be issued from time to time after the date hereof […]" See Fifth Supplemental Indenture, dated June 4, 2009, p. 1. Supplemental Indentures related to subsequent issuances of the Notes listed both Covidien plc and Covidien Ltd. as guarantors.

[12] "Pursuant to the Ninth Supplemental Indenture to the 2007 Covidien Indenture, New Medtronic and Medtronic Luxco have provided a full and unconditional guarantee of the obligations of CIFSA under its 6.000% senior notes due 2017, 6.550% senior notes due 2037, 4.20% senior notes due 2020, 2.80% senior notes due 2015, 3.200% senior notes due 2022, 1.350% senior notes due 2015 and 2.950% senior notes due 2023 […]." Medtronic plc Form 8-K, dated January 26, 2015, p. 3. See also Ninth Supplemental Indenture, dated January 26, 2015.

[13] Section 1.3 of the Seventh Supplemental Indenture, dated May 30, 2012.

2.7. The CIFSA Indentures also include embedded tax-redemption call features, which grant CIFSA the right to redeem the Notes at par prior to their maturity dates under specific adverse, tax-related circumstances. Specifically, the embedded tax redemption call features allow for early redemption if changes in tax laws or regulations would obligate CIFSA (or Covidien plc and Covidien Ltd., as guarantors) to pay additional amounts to the noteholders.[14]

2.8. In addition to the "make-whole" and tax-redemption call features, two series of the CIFSA Senior Notes also had "clean-up" call features.[15] These features gave CIFSA the option to redeem the Notes at par three months before the Notes' maturities, and were only present in the Seventh and Eighth Supplement Indentures pertaining to the 3.20% Senior Notes due June 2022 and the 2.95% Senior Notes due June 2023.[16] With respect to the 3.20% Senior Notes due June 2022, the "clean-up" provision stated:[17]

> *[T]he 2022 Notes will be redeemable on or after March 15, 2022 at a Redemption Price equal to 100% of the principal amount of the 2022 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the Redemption Date.*

[14] See Article XIV of Base Indenture, dated October 22, 2007. Supplemental Indentures for each of the seven series of Senior Notes contain references to Article XIV of the Base Indenture in their discussion of optional redemption terms. See also **Exhibit 3**.

[15] I note that Section 1.4 of the Sixth Supplemental Indenture dated June 28, 2010, also included a special mandatory redemption clause which would have required CIFSA to redeem all of its 2.80% Senior Notes due 2015 and 4.20% Senior Notes due 2020 issued pursuant to this Indenture at a price of 101% if the "ev3 Acquisition" did not close by year-end 2010.

[16] See **Exhibit 3**.

[17] Section 1.3 of the Seventh Supplemental Indenture, dated May 30, 2012. Note that the structure of this "clean-up" call feature is identical for the Senior Notes due 2023. See, for example, Section 1.3 of the Eighth Supplemental Indenture, dated May 16, 2013.

2.9. As summarized in **Exhibits 1-2**, Medtronic exercised its right to call principal outstanding on three series of Senior Notes on April 6, 2019, and October 29, 2020, under the "make-whole" provision. Medtronic had also issued seven tender offers across four series of the Senior Notes in 2016 and 2019.[18]

2.10. In addition to the embedded call features, all seven series of CIFSA Senior Notes were issued with embedded put features which were contingent upon a "change of control triggering event." Upon such an event, these features gave noteholders the right to require that CIFSA repurchase the Notes at a pre-specified purchase price plus accrued and unpaid interest. The Supplemental Indentures describe this embedded put feature as follows, with pre-specified purchase prices equal to 101% for all seven series of the Senior Notes:[19]

> *Upon the occurrence of a Change of Control Triggering Event […] each Holder will have the right to require that the Company purchase all or a portion […] of such Holder's Offered Securities at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.*

[18] See **Exhibit 1**. A tender offer occurs when an issuer makes a public offer to buy back its bonds from existing bondholders.

[19] Example description from Section 1.5 of the Sixth Supplemental Indenture, dated June 28, 2010. See also **Exhibit 3**.

2.11. A "change of control triggering event" is defined in the CIFSA Indentures as the occurrence of both a change of control and a below investment grade rating event (by at least two of S&P, Moody's, and Fitch).[20] More specifically, a change of control refers to any of (i) "the direct or indirect sale, transfer, conveyance, or other disposition […] of all or substantially all of the assets of Covidien plc and its subsidiaries […]"; (ii) a "transaction […] the result of which is that any 'person' […] other than Covidien plc's or its subsidiaries' employee benefit plans, becomes the beneficial owner […] of more than 50% of outstanding voting stock of Covidien plc […]"; or (iii) "the replacement of a majority of the board of directors of Covidien plc over a two-year period […]."[21]

III. The Embedded Call and Put Features Are Not Option Contracts

3.1. The Covidien Motion claims that Covidien plc, Covidien Ltd., and CIFSA were "parties […] to securities contracts granting call and put options for debt securities […]."[22] The Wood Declaration states that CIFSA had indentures and notes that "granted call and put options to redeem and purchase the Senior Notes."[23] The Covidien Motion further claims that CIFSA's "option contracts" qualify it as a "financial participant" on the relevant dates.[24]

[20] Section 1.2 of the Sixth Supplemental Indenture, dated June 28, 2010.

[21] Section 1.2 of the Sixth Supplemental Indenture, dated June 28, 2010. I note that the definition of this term is virtually identical across the relevant Supplemental Indentures.

[22] Covidien Motion, pp. 1-2.

[23] Wood Declaration, ¶ 19. See also Wood Declaration, ¶ 17.

[24] Covidien Motion, pp. 5-6. Relevant dates refer to the Spin Date, and July 12, 2019 through at least October 28, 2020 (see Wood Declaration, ¶¶ 18-19).

3.2. The Covidien Motion's characterization of the embedded call and put features of the CIFSA Indentures as "option contracts" is inaccurate. This section clarifies that these features are not distinct "option contracts" and should not be treated as such.

III.A. The Embedded Call and Put Features Cannot Be Detached and Traded Separately

3.3. The embedded call and put features of the CIFSA Indentures are integral to the Notes and cannot be separated. Unlike standalone options that can be bought, sold, or transferred separately, the embedded call and put features of the CIFSA Indentures are inseparable components of the Notes themselves. These features cannot be detached or traded independently. This distinction differentiates them from standalone derivatives like exchange-traded options, which can be bought or sold separately. Referring to the embedded features as "option contracts" incorrectly implies that they could be detached from the Notes, as no additional call or put contracts exist outside of the Notes.

3.4. Moreover, the embedded call and put features are outlined in the CIFSA Indentures, the governing contracts that define the terms and conditions of the Notes. The CIFSA Indentures establish a clear understanding of the parties' rights and obligations and serve as binding agreements between CIFSA and the noteholders. No separate governing documents exist outside the CIFSA Indentures to describe the call and put features of these Notes.

3.5. Furthermore, the CIFSA Senior Notes, together with the embedded features, form a single financial instrument that is priced and traded as a whole in the market. Unlike option contracts, which provide their holders with exposure to the underlying asset without requiring direct ownership, only noteholders are entitled to the embedded put feature under a change-of-control scenario, and only the Notes' Issuer (CIFSA) has the right to exercise the embedded call features. The requirement of direct Note ownership underscores the inseparable nature of the embedded call and put features from the Notes. While standard options are actively traded on exchanges or over-the-counter markets, allowing holders to enter or exit positions freely, the embedded call and put features cannot be transferred or assigned to another party independently of the Notes. There is no market for trading these embedded features separately from the Notes.

III.B. The Embedded Call and Put Features Do Not Change the Fundamental Economics of Debt Instruments

3.6. From an economic perspective, a debt instrument is a formalized financial obligation where the issuer borrows funds with a contractual commitment to repay according to specified terms. These terms typically include periodic interest payments and the repayment of the full principal amount at maturity. Due to their predictable, predetermined returns, debt instruments are often referred to as "fixed-income" instruments. As this name suggests, debt instruments are generally considered investments that generate a steady flow of income in a secure, low-risk manner. The primary purpose of debt is to raise capital for the issuer.

3.7. In contrast, option contracts are financial instruments with distinct economic characteristics and purposes. Options typically grant the buyer the right, but not the obligation, to buy or sell a particular asset at a predetermined price (i.e., strike price) within a given time frame. The payoff of an option is contingent on the price of the underlying asset relative to the strike price, which can generate a significant upside if the price of the underlying asset moves in the desired direction. The primary investment purposes of options include hedging existing positions, speculating on price movements, and gaining exposure to an underlying asset without direct ownership.

3.8. Beyond standard structure, debt instruments may include additional features that modify the payment flow and amount under certain circumstances. For example, to increase the debt issuer's financial flexibility, the debt indenture may include a call provision that allows the issuer to redeem the debt before maturity. To provide additional credit risk protection to the debt holders, the debt indenture could include a put provision that allows debtholders to sell the debt back to the issuer under certain circumstances. Importantly, these features are not separate option contracts – they do not alter the fundamental economic characteristics of debt instruments or their primary purpose of raising capital.

3.9. When pricing a debt with embedded call or put features, investors consider the debt as a whole, taking into account the debt's yield, issuer credit risk, as well as the potential impact of the embedded features. The pricing of the debt reflects the value of these features, typically resulting in a different yield compared to similar debt without them. No separate premium is paid for the embedded features; their value is incorporated into the overall price of the debt. The pricing of the debt reflects a holistic view of its risk-return profile.

3.10. Call and put features are common in corporate bonds. As of 2020, the share of callable corporate bonds in U.S. markets has increased to 89%.[25] A query of the FINRA database for bonds shows that among corporate bonds with maturities between 5 and 10 years, nearly 45% of bonds and 63% of investment-grade bonds are callable. This trend is even more pronounced in specific sectors, with 91% of healthcare manufacturers issuers issuing callable bonds.[26] Data from Bloomberg shows that make-whole call provisions are also quite common among corporate bonds with similar maturities. Over 40% of bonds, 54% of investment-grade bonds, and 90% of high-yield bonds had make-whole call provisions.[27] Put features are also common for corporate bonds. Among active U.S. corporate bonds, over 19% of investment-grade bonds and 80% of high-yield bonds have either a change of control or a rating trigger covenant.[28] The prevalence of embedded call and put features demonstrates that these are standard structural elements routinely used to tailor debt instruments to the needs of issuers and investors. They are not standalone instruments that alter the fundamental economic characteristics of the debt.

[25] Becker B, Campello M, Thell V, Yan D, "*Credit risk, debt overhang and the life cycle of callable bonds*", Review of Finance, 28-3, May 2024. Available at: https://academic.oup.com/rof/article/28/3/945/7513168.

[26] FINRA, Corporate and Agency Bonds Database. Available at: https://www.finra.org/finra-data/fixed-income/corp-and-agency.

[27] Bloomberg L.P. Sample limited to active, USD-denominated, corporate bonds incorporated in North America and with maturities between 5 years and 10 years.

[28] Bloomberg L.P. Sample limited to active, USD-denominated, corporate bonds incorporated in North America and with maturities between 5 years and 10 years.

3.11. Operational procedures for these embedded call and put features are simple. Their exercise process is straightforward and is clearly outlined in the terms of the CIFSA Indentures. For puts, upon a change of control, debt holders have the right, but not the obligation, to require CIFSA to repurchase the Notes. For calls, CIFSA notifies the debt holders in advance, via the Indenture Trustee (Deutsche Bank), of the amount, date, and price of the debt to be called in accordance with the terms outlined in the Supplemental Indentures. This process is administrative and does not involve the complexities associated with settling standalone derivative contracts, such as margin requirements or mark-to-market valuations.

III.C. The Make-Whole, Clean-Up, and Tax Redemption Provisions Do Not Make the Embedded Call Features "Option Contracts"

3.12. As I discussed in **Section III.A-III.B** above, the embedded call features differ from standard call options in purpose, design, and economic characteristics. They are integral to the Notes and not separate standalone call option contracts.

3.13. CIFSA Indentures' embedded call features primarily consist of "make-whole" and "tax-redemption" call provisions. The make-whole provision allows the Issuer to redeem the Notes prior to maturity, but requires that noteholders be compensated for the lost interest payments.[29] As a result, make-whole call provisions serve primarily to reassure the investors. This contrasts with the most common call features for corporate bonds, which allow the issuer to refinance their debt under favorable market conditions without compensating the debt holders. The tax redemption call provision can be exercised if the Issuer determines that it cannot effectively mitigate the negative consequences of potential changes in tax laws or regulations affecting the Notes and payments thereunder.

3.14. Lastly, two of the seven series of Notes have additional "clean-up" call features, which allow the Issuer to accelerate the final redemption up to three months prior to maturity. These call provisions derive their economic value from the Issuer's specific circumstances rather than general market conditions observable to every investor. In addition, these provisions' economic value for the investors is typically small relative to the total value of the Notes.

3.15. Importantly, only the Issuer can exercise the embedded call features, making them non-tradeable, unlike over-the-counter call option contracts negotiated between counterparties and typically subject to ISDA[30] rules or exchange-traded options.

[29] The calculation of the interests is typically based on the present value of remaining payments discounted using a benchmark rate (e.g., U.S. Treasuries) plus a spread.

[30] ISDA stands for International Swaps and Derivatives Association, the trade organization overseeing the trading rules of over-the-counter derivatives.

III.D. The Embedded Put Features Differ from Standard Put Option Contracts

3.16. As I discussed in **Section III.A-III.B** above, the embedded put features differ from standard put options in purpose, design, and economic characteristics. They are integral to the Notes and not separate standalone put option contracts.

3.17. Additionally, the embedded put features grant noteholders the right to require CIFSA to repurchase the Notes at a pre-specified purchase price plus accrued and unpaid interest in a "change-of-control" event. A change of control occurs when a significant corporate event, such as a merger or acquisition, shifts ownership of the company. By requiring the Issuer to repurchase the notes at a predetermined price, the embedded put features serve as protective covenants to maintain the investment's risk profile consistent with the original terms agreed upon at issuance. This differs from standard put options that are often used for hedging and speculation.

3.18. Unlike standard put options, which can be exercised at any time within a specified period, the embedded put features can only be exercised in the event of a change of control. In other words, holders of the CIFSA Senior Notes cannot choose to exercise the put based on their financial interests, as the exercise of the put is contingent upon a predefined corporate event.

3.19. Moreover, CIFSA's obligation to repurchase the Notes upon exercise of the embedded put feature cannot be transferred to or assumed by other market participants. This means that CIFSA's repayment obligation cannot be traded by other market participants, unlike standard put option contracts.

IV. Guarantees on the CIFSA Senior Notes

4.1. The Wood Declaration states that "[e]ach of Covidien plc and Covidien Ltd. was thus a party to Indentures and Notes by which each fully guaranteed all obligations under the Senior Notes, including timely performance of the call and put options to purchase the Senior Notes" and "[a]ccordingly, Covidien plc and Covidien Ltd. each had indentures and notes guaranteeing the options to redeem or purchase the Senior Notes […]."[31]

4.2. The Covidien Motion concludes that because Covidien plc and Covidien Ltd. guaranteed CIFSA's "option contracts," these entities each qualified as a "financial participant" on the Spin Date and on April 24, 2020.[32]

4.3. At the outset, as I explained in **Section III** above, the embedded call and put features described in the CIFSA Indentures are not "option contracts." Consequently, the Covidien Motion's claim that Covidien plc and Covidien Ltd. guaranteed CIFSA's "option contracts" is inaccurate.

4.4. The guarantees are standard forms of credit enhancement that bolster the credit risk profile of the CIFSA Senior Notes by mitigating the risk of non-payment by the Issuer. These guarantees are non-tradable and cannot be bought or sold as financial instruments in the marketplace.

[31] Wood Declaration, ¶ 22.

[32] Covidien Motion, pp. 6-7.

4.5. Moreover, as I explained in **Section III.B** above, option holders have the right, not the obligation, to buy or sell assets according to the option contract. The CIFSA Indentures make it clear that Covidien plc and Covidien Ltd. are obligated to absolutely and unconditionally guarantee the performance of the Notes.[33] For example, the Eighth Supplemental Indenture dated May 16, 2013 includes the following language with respect to the guarantee of the 2.95% Senior Notes due June 2023:[34]

> *Covidien public limited company and Covidien Ltd., jointly and severally, hereby* ***absolutely, unconditionally and irrevocably guarantee*** *to the holder of the Security upon which this Guarantee is set forth, the payment of principal of, premium, if any, and interest on, such Security in the amounts and at the time when due and payable whether by declaration thereof or otherwise, and interest on the overdue principal and interest, if any, of such Security, […] all in accordance with and subject to the terms and limitations of such Security and Article XV of the [Base] Indenture […].*

4.6. The absoluteness of the guarantee through events such as insolvency, liquidation, reorganization, assignment for the benefit of creditors, appointment of a receiver or trustee, or any legal proceedings is further described in Article XV of the Base Indenture:[35]

> *The Guarantee shall* ***remain in full force and effect and continue to be effective*** *should any petition be filed by or against the Company for liquidation or reorganization, should the Company become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any part of the Company's assets.*

4.7. With respect to the guarantee of the embedded call and put features of the Senior Notes, the following is included in the Base Indenture and Fifth Supplemental Indenture:[36]

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[33] The Supplemental Indentures related to the seven series of Senior Notes each detail the terms and conditions related to Covidien plc and Covidien Ltd. as guarantors of the Notes and Indentures.

[34] Exhibit A of the Eighth Supplemental Indenture dated May 16, 2013. Emphasis Added.

[35] Article XV, Section 15.01 of the Base Indenture dated October 22, 2007. Emphasis added.

[36] Article I, Section 1.01 of the Base Indenture dated October 22, 2007; Article I, Section 1.1 of the Fifth Supplemental Indenture dated June 4, 2009. Emphasis added.

> *[T]he **unconditional and unsubordinated guarantee** by [Covidien plc and Covidien Ltd.] of the due and punctual payment of principal of and interest on a series of Securities when and as the same shall become due and payable, whether at the stated maturity, by acceleration, **call for redemption or otherwise** in accordance with the terms of the Securities and this Indenture.*

4.8. Guaranteeing the obligations of the CIFSA Senior Notes is fundamentally distinct from holding option contracts. Therefore, even if the embedded call and put features could be considered as "option contracts" – which I disagree with – Covidien plc and Covidien Ltd. are affiliated guarantors to the performance of the call and put features to purchase the Notes, not holders of the purported "option contracts."

V. Covidien Sarl's Derivatives Contracts

5.1. The Husnik Declaration claims that on each day from February 4, 2020 through the Filing Date of October 12, 2020 (the "Review Period"), "Covidien Sarl had currency forward and swap contracts outstanding with a total gross dollar value in excess of $1.0 billion in notional amount."[37] The Husnik Declaration further claims that on April 23, 2020, Covidien Sarl had more than $2.5 billion of currency forward and swap contracts outstanding, which was the highest total notional amount outstanding during the Review Period.[38]

[37] Husnik Declaration, ¶ 7.

[38] Husnik Declaration, ¶¶ 7-13. See also Husnik Exhibits 9-11, which correspond to the Trade Confirmations Report, Reval Trade Summary, and the Refinitive Trade Summary, respectively, for Covidien Sarl's currency forward and swap contracts outstanding on April 23, 2020.

5.2. What the Husnik Declaration does not explain, however, is that Covidien Sarl's derivatives contracts were comprised exclusively of FX forwards.[39] An FX forward contract is an agreement between two counterparties to purchase or sell a specific quantity of currency for a predetermined price on a specific date in the future (settlement date).[40] The predetermined price is referred to as the forward exchange rate, which is set to a value such that no money is required upfront for entering into the contract. FX forwards typically settle within one year.

5.3. Depending on whether the currencies are physically settled at delivery, FX forward contracts can be categorized as deliverable forwards ("DF") and non-deliverable forwards ("NDFs"). For a DF, physical currencies are exchanged at maturity based on the predetermined rate of exchange. An NDF is similar to a DF except that an NDF is not required to deliver currencies physically at maturity and is instead settled in cash.[41] In the settlement of an NDF, one party pays the other party the net cash settlement based on the difference in the FX rates of the two currencies. NDFs are commonly used for non-convertible currencies, which are currencies of emerging market countries with capital control and currency restrictions.[42]

[39] I reviewed approximately 250 Covidien-produced documents containing Covidien Sarl's Notional Balance Reports from February 4, 2020 to the Filing Date. All reports show Covidien Sarl's derivatives contracts exclusively in FX forwards. See COV-00019113 for an example of a notional balance report.

[40] Currencies other than US dollars can also be used as the "base currency," but the US dollar is the base currency for most major currency pairs in foreign exchange trading. The exchange rate refers to the amount of the second currency (i.e., quote currency) that can be exchanged for one unit of the base currency.

[41] Standard NDF contract documentation generally specifies price determination based on an exchange rate against the U.S. dollars. NDFs are quoted with the dollar as the reference currency against other currencies, although other currencies could be used.

[42] See, e.g., CFTC appendix on NDFs, available at: https://www.cftc.gov/sites/default/files/filings/ptc/15/02/ptc022615tradsef003.pdf.

5.4. Consistent with my review of the Notional Balance Reports, the Trade Confirmation Report for the 61 contracts that Covidien Sarl had outstanding on April 23, 2020 further confirms my finding that Covidien Sarl's derivatives contracts were exclusively FX forwards.[43] [redacted][44] [redacted][45] The "All in Rate" referenced in the trade confirmations is the predetermined exchange rate that specifies the amount of the quote currency (i.e., the second currency quoted in the currency pair) that will be exchanged for one unit of the base currency upon maturity. [redacted][46] [redacted][47]

[43] Husnik Declaration, ¶ 9; Exhibit 9 of Husnik Declaration.

[44] Exhibit 9 of Husnik Declaration. A contract's term is equal to the difference between the trade date and the settlement date.

[45] [redacted]

[46] Exhibit 9 of Husnik Declaration, p. 6.

[47] Exhibit 9 of Husnik Declaration, p. 6. The "All in Rate" equals the sum of the spot rate and forward points.

5.5. FX forward contracts do not involve the exchange of interest payments. As expected for non-interest-bearing instruments, the trade confirmations for Covidien Sarl's FX forwards do not include terms related to interest payments (like coupon rate or payment frequency). Unlike FX forwards, cross-currency swaps involve the exchange of both principal and interest in different currencies. Typically, the notional amounts are exchanged at the beginning and end of the swap's life, with periodic interest payments made throughout the contract's life. While FX forwards are generally short-term (less than one year), cross-currency swaps are long-term, often maturing between one and 30 years.

5.6. For FX forwards, the term "notional amount" typically refers to the amount of currency to be purchased or sold as specified in the contracts. Given that FX forwards are non-interest-bearing instruments, the *notional amount* in an FX forward contract should not be construed as a *notional principal amount*, where the latter is used to calculate periodic interest payments for interest-bearing instruments.[48]

VI. Features of the Qimonda Indenture

6.1. I have reviewed the Qimonda Indenture per Counsel's request.[49] Specifically, I have focused on whether there are embedded call or put features attached to the Qimonda Bonds. I find that the Qimonda Bonds are subject to early redemption by White Oak Semiconductor ("Company"). The Qimonda Indenture also includes an optional redemption provision enabling the Company to redeem the Qimonda Bonds in response to specific extraordinary events.

[48] Under the Internal Revenue Service's regulation, FX forward contracts are excluded from "Notional Principal Contracts," which require periodic payments at pre-determined intervals, calculated by a reference to a specified index and a notional principal amount. See 26 CFR 1.446-3, available at 26 CFR § 1.446-3 - Notional principal contracts. | Electronic Code of Federal Regulations (e-CFR) | US Law | LII / Legal Information Institute (cornell.edu).

[49] A copy of the Qimonda Indenture is attached as **Appendix C**.

6.2. In particular, Article IX of the Qimonda Indenture explains that the Qimonda Bonds were subject to optional redemption at the discretion of the Company, special mandatory redemption upon the occurrence of a "determination of taxability" event, and extraordinary optional redemption upon the occurrence of an extraordinary event which would significantly hinder operations of the Company.[50] Such features are included to address potential adverse events that could significantly impact the Company's ability to meet its obligations under the Qimonda Indenture.

6.3. The Qimonda Indenture contains other features that affect the interest rate and cash flows for the bonds.[51] For example, the optional redemption provision in Section 9.01(a) of the Qimonda Indenture shows that the timing and call price are dependent on the interest rate structure of the Qimonda Bonds. Qimonda Bonds that accrued interest at adjustable rates can be redeemed on any interest payment date at par, whereas Qimonda Bonds that accrued interest at term rates are not callable until after the contractually defined terms.[52]

[50] See Qimonda Indenture, Article IX, Sections 9.01(a), 9.01(b), and 9.01(c).

[51] See Qimonda Indenture, Article III, for more information on the bonds' interest rates.

[52] Qimonda Indenture, Article IX, Section 9.01(a).

6.4. Notably, the Qimonda Bonds incorporate both a special mandatory redemption upon the occurrence of a "determination of taxability" event and a generic call feature granting the Company the option to redeem the bonds early if it is unable to proceed with the project due to factors such as plant damage, resource shortages, regulatory changes, or other unforeseen challenges.[53] Such provisions are common in international or project-specific bond issuances, where potential changes across multiple jurisdictions or operational risks can significantly impact an issuer's ability to meet its obligations. Tax redemption call provisions of the CIFSA Indentures are similarly designed to provide a layer of protection against unforeseen tax liabilities should the pertinent tax laws or regulations change.[54]

6.5. In summary, like the embedded call features of the CIFSA Indentures, the three types of embedded call features of the Qimonda Indenture allow the Company to modify payment flows and the amount of the debt under pre-specified circumstances. These embedded call features differ from standard call options and do not alter the fundamental economic characteristics of the Qimonda Bonds or their primary purpose of raising capital. They are integral to the Qimonda Bonds and are not separate standalone option contracts.

[53] Qimonda Indenture, Article IX, Sections 9.01(b) and 9.01(c).

[54] See **Section II.B** and **III.C**.

VII. Embedded Call and Put Features of the Solutia Notes

6.6. I have reviewed the Solutia Indenture per Counsel's request.[55] Specifically, I have focused on whether there are embedded call or put features attached to the 2009 Solutia Notes. The offering terms of these Solutia Notes are described in the Solutia Indenture dated July 9, 2002 and in their SEC Registration Statement dated October 16, 2002.[56]

6.7. A contingent call feature is embedded in the Solutia Notes, as described in the Solutia Indenture. This feature grants Solutia the right to redeem up to 35% of the aggregate principal amount of the Notes early, contingent upon Solutia raising the necessary funds for the redemption through a public equity offering.[57] Key conditions of this contingent call feature include: (i) The feature is available only until July 15, 2005 (within the first three years after issuance); (ii) The optional redemption price is set at 111.25% of the principal amount, plus accrued and unpaid interest; and (iii) The amount redeemed cannot exceed 35% of the aggregate principal amount of the 2009 Notes ($223 million initially, plus any additional amount of notes that may be subsequently issued).[58] The contingency of this call feature on the public equity offering and the limited redemption amount distinguish it from the most common call features for corporate bonds, which typically lack such specific restrictions. There is no "make-whole" call feature embedded in the Solutia Notes. While more restrictive in nature, the Solutia Notes' contingent call feature nonetheless constitutes an embedded call feature.

[55] A copy of the Solutia Indenture is attached as **Appendix D**.

[56] See Solutia Inc., Amendment No. 1 To Form S-4 Registration Statement, dated October 16, 2022. See also Solutia Indenture, dated as of July 9, 2002.

[57] Solutia Inc., Amendment No. 1 To Form S-4 Registration Statement, dated October 16, 2022.

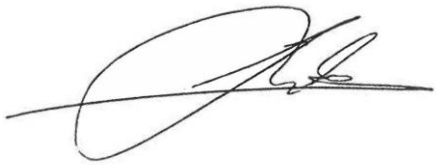
[58] Solutia Inc., Amendment No. 1 To Form S-4 Registration Statement, dated October 16, 2022.

6.8. Additionally, the Solutia Notes contain a change-of-control put feature, which grants the noteholders the right to require Solutia to repurchase the Solutia Notes at 101% of the principal amount, plus accrued and unpaid interest, in the event of a change of control.[59] The change-of-control put features embedded in the CIFSA Senior Notes also provide protective covenants to investors in such scenarios.

6.9. Both the call and put features in the Solutia Indenture operate like those in the CIFSA Indentures, allowing for modifications to the payment flow and amount of the debt under pre-specified circumstances. These embedded call and put features differ from standard option contracts and do not alter the fundamental economic characteristics of the Solutia Notes or their primary purpose of raising capital. They are integral to the Solutia Notes and are not separate standalone option contracts.

[59] Section 4.08 of the Solutia Indenture, dated as of July 9, 2002.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.



Executed on October 21, 2024.

Stamford, Connecticut Franck Risler

Exhibit 1. Selected Events of Covidien Entities

	Date [A]	Event Type [B]	Event [C]	Source [D]
[1]	06-29-2007	Business Transformation	Covidien Ltd. separates from Tyco International Ltd.	Separation and Distribution Agreement, dated June 29, 2007.
[2]	10-22-2007	Notes	CIFSA issues 6.00% Senior Notes due October 2017	Third Supplemental Indenture, dated October 22, 2007.
[3]	10-22-2007	Notes	CIFSA issues 6.55% Senior Notes due October 2037	Fourth Supplemental Indenture, dated October 22, 2007.
[4]	05-15-2009	Ratings	S&P raises rating from A- to A	Bloomberg L.P.
[5]	05-28-2009	Business Transformation	Shareholders vote in favor of reorganization transaction among Covidien Ltd. and Covidien plc	Covidien plc Form 10-K for the fiscal year ended September 27, 2013.
[6]	06-04-2009	Business Transformation	Covidien Ltd. becomes a wholly owned subsidiary of Covidien plc	Covidien plc Form 8-K, dated June 4, 2009.
[7]	06-04-2009	Notes	Covidien plc added as guarantor to 6.00% and 6.55% CIFSA Senior Notes	Fifth Supplemental Indenture, dated June 4, 2009.
[8]	06-28-2010	Notes	CIFSA issues 2.80% Senior Notes due June 2015	Sixth Supplemental Indenture, dated June 28, 2010.
[9]	06-28-2010	Notes	CIFSA issues 4.20% Senior Notes due June 2020	Sixth Supplemental Indenture, dated June 28, 2010.
[10]	05-30-2012	Notes	CIFSA issues 1.35% Senior Notes due May 2015	Seventh Supplemental Indenture, dated May 30, 2012.
[11]	05-30-2012	Notes	CIFSA issues 3.20% Senior Notes due June 2022	Seventh Supplemental Indenture, dated May 30, 2012.
[12]	05-16-2013	Notes	CIFSA issues 2.95% Senior Notes due June 2023	Eighth Supplemental Indenture, dated May 16, 2013.
[13]	**06-28-2013**	**Qualifying Date**	**Covidien transfers its Pharmaceuticals business to Mallinckrodt ("Spin Date")**	**Covidien plc Form 8-K, dated June 28, 2013.**
[14]	07-01-2013	Ratings	Fitch (A) shifts outlook from Watch Negative to Stable	Bloomberg L.P.
[15]	06-15-2014	Business Transformation	Covidien plc enters into Transaction Agreement with Medtronic, Inc.	Medtronic, Inc. Form 8-K and attached Exhibit 2.1, dated June 15, 2014.
[16]	06-16-2014	Ratings	S&P (A) shifts outlook from Stable to Watch Positive	Bloomberg L.P.
[17]	06-16-2014	Ratings	Moody's (Baa1) shifts outlook from Stable to Watch Positive	Bloomberg L.P.
[18]	06-16-2014	Ratings	Fitch (A) shifts outlook from Stable to Watch Negative	Bloomberg L.P.
[19]	01-26-2015	Ratings	S&P (A) shifts outlook from Watch Positive to Stable	Bloomberg L.P.
[20]	01-26-2015	Business Transformation	Medtronic completes merger with Covidien	Medtronic, Inc. Form 8-K, dated January 26, 2015.
[21]	01-26-2015	Notes	Medtronic provides guarantee for the CIFSA Senior Notes	Ninth Supplemental Indenture, dated January 26, 2015.
[22]	01-27-2015	Ratings	Moody's raises rating from Baa1 to A3	Bloomberg L.P.
[23]	01-27-2015	Ratings	Fitch lowers rating from A to A-	Bloomberg L.P.
[24]	04-28-2015	Ratings	Fitch withdraws ratings	Bloomberg L.P.
[25]	03-31-2016	Tender Offer	Medtronic announces tender offer on 2.95% Notes due 2023 (440.484M @ 101.886%)	Medtronic plc Form 8-K dated March 31, 2016; Bloomberg L.P.
[26]	03-31-2016	Tender Offer	Medtronic announces tender offer on 6.55% Notes due 2037 (600.000M @ 135.477%)	Medtronic plc Form 8-K dated March 31, 2016; Bloomberg L.P.
[27]	02-20-2019	Tender Offer	Medtronic announces tender offer on 4.20% Notes due 2020 (600.000M @ 98.802%)	Medtronic plc Form 8-K dated February 20, 2019; Bloomberg L.P.
[28]	02-20-2019	Tender Offer	Medtronic announces tender offer on 6.55% Notes due 2037 (90.503M @ 129.154%)	Medtronic plc Form 8-K dated February 20, 2019; Bloomberg L.P.
[29]	03-08-2019	Call	Medtronic announces make whole call on 4.20% Notes due June 2020	Bloomberg L.P.
[30]	04-06-2019	Call	4.20% Notes due 2020 called under make-whole (249.910M @ 101.927%)	Bloomberg L.P.
[31]	06-24-2019	Tender Offer	Medtronic announces tender offer on 6.55% Notes due 2037 (283.536M @ 141.264%)	Medtronic plc Form 8-K dated June 24, 2019; Bloomberg L.P.
[32]	06-24-2019	Tender Offer	Medtronic announces tender offer on 2.95% Notes due 2023 (309.516M @ 100.110%)	Medtronic plc Form 8-K dated June 24, 2019; Bloomberg L.P.
[33]	06-24-2019	Tender Offer	Medtronic announces tender offer on 3.20% Notes due 2022 (650.000M @ 100.003%)	Medtronic plc Form 8-K dated June 24, 2019; Bloomberg L.P.
[34]	**07-12-2019**	**Qualifying Date**	**Start of 15-month period culminating in Mallinckrodt bankruptcy filing**	**Section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991.**
[35]	09-29-2020	Call	Medtronic announces make whole call on 3.20% Notes due June 2022	Bloomberg L.P.
[36]	09-29-2020	Call	Medtronic announces make whole call on 2.95% Notes due June 2023	Bloomberg L.P.
[37]	**10-12-2020**	**Qualifying Date**	**Mallinckrodt bankruptcy filing date**	**Mallinckrodt Voluntary Petition for Non-Individuals Filing for Bankruptcy, filed October 12, 2020.**
[38]	10-29-2020	Call	3.20% Notes due 2022 called under make-whole (650.000M @ 104.543%)	Bloomberg L.P.
[39]	10-29-2020	Call	2.95% Notes due 2023 called under make-whole (309.516M @ 106.857%)	Bloomberg L.P.

Exhibit 2. Summary of CIFSA Senior Notes

	Notes [A]	Issuer [B]	Guarantors [C]	Issue Date [D]	Issue Size ($MM) [E]	Coupon [F]	Maturity [G]	Status [H]	Amount Outstanding as of Bankruptcy Date ($MM) [I]
[1]	1.35% Senior Notes due May 2015	CIFSA	Covidien Ltd. and Covidien plc	5/30/2012	600	1.350%	5/29/2015	Matured on 5/29/2015	0
[2]	2.80% Senior Notes due June 2015	CIFSA	Covidien Ltd. and Covidien plc	6/28/2010	400	2.800%	6/15/2015	Matured on 6/15/2015	0
[3]	6.00% Senior Notes due October 2017	CIFSA	Covidien Ltd. and Covidien plc	10/22/2007	1,150	6.000%	10/15/2017	Matured on 10/15/2017	0
[4]	4.20% Senior Notes due June 2020	CIFSA	Covidien Ltd. and Covidien plc	6/28/2010	600	4.200%	6/15/2020	Called on 4/6/2019	0
[5]	3.20% Senior Notes due June 2022	CIFSA	Covidien Ltd. and Covidien plc	5/30/2012	650	3.200%	6/15/2022	Called on 10/29/2020	650
[6]	2.95% Senior Notes due June 2023	CIFSA	Covidien Ltd. and Covidien plc	5/16/2013	750	2.950%	6/15/2023	Called on 10/29/2020	310
[7]	6.55% Senior Notes due October 2037	CIFSA	Covidien Ltd. and Covidien plc	10/22/2007	850	6.550%	10/15/2037	Outstanding	253

Notes and Sources:
All seven series of the CIFSA Notes are ranked Senior Unsecured, according to Bloomberg L.P.

[1] Seventh Supplemental Indenture, dated May 30, 2012.
[2] Sixth Supplemental Indenture, dated June 28, 2010.
[3] Third Supplemental Indenture, dated October 22, 2007.
[4] Sixth Supplemental Indenture, dated June 28, 2010.
[5] Seventh Supplemental Indenture, dated May 30, 2012.
[6] Eighth Supplemental Indenture, dated May 16, 2013.
[7] Fourth Supplemental Indenture, dated October 22, 2007.

[C] Covidien plc added as guarantor pursuant to Fifth Supplemental Indenture, dated June 4, 2009. Medtronic provides guarantee for CIFSA notes upon acquiring Covidien pursuant to Ninth Supplemental Indenture, dated January 26, 2015.
[H]-[I] Bloomberg L.P.

Exhibit 3. Description of CIFSA Indentures' Embedded Call and Put Features

Notes [A]	Make-Whole Provision [B]	Clean-up Provision [C]	Tax Redemption Provision [D]	Embedded Call Option, as Described in Supplemental Indentures [E]	Embedded Put Option, as Described in Supplemental Indentures [F]
[1] 1.35% Senior Notes due May 2015	Treas. + 15bp		100% Upon Certain Changes in Withholding Taxes	Any Redemption Date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 15bp make whole. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Upon the occurrence of a Change of Control Triggering Event, each Holder will have the right to require that the Company repurchase all or a portion of such Holder's Offered Securities at a repurchase price equal to 101% of principal plus interest.
[2] 2.80% Senior Notes due June 2015	Treas. + 12bp		Same as [1]	Any Redemption Date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 12bp make whole. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]
[3] 6.00% Senior Notes due October 2017	Treas. + 25bp		Same as [1]	Any Redemption Date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 25bp make whole. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]
[4] 4.20% Senior Notes due June 2020	Treas. + 15bp		Same as [1]	Any Redemption Date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 15bp make whole. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]
[5] 3.20% Senior Notes due June 2022	Treas. + 25bp	100% On or After March 15, 2022	Same as [1]	Any Redemption Date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 25 make whole; or 100% of the principal amount plus interest on or after March 15, 2022. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]
[6] 2.95% Senior Notes due June 2023	Treas. + 15bp	100% On or After March 15, 2023	Same as [1]	Prior to March 15, 2023, redeemable at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 15 make whole; or 100% of principal amount plus interest on or after March 15, 2023. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]
[7] 6.55% Senior Notes due October 2037	Treas. + 30bp		Same as [1]	Any date prior to the maturity date, in whole or in part at a redemption price equal to the greater of (i) 100% of the principal amount and (ii) Treas. + 30 make whole. This Security is also subject to redemption to the extent provided in Article XIV of the Base Indenture (tax provision).	Same as [1]

Notes and Sources:

[1] Sections 1.3 and 1.4, and Exhibit A of the Seventh Supplemental Indenture, dated May 30, 2012.
[2] Sections 1.3 and 1.5, and Exhibit B of the Sixth Supplemental Indenture, dated June 28, 2010.
[3] Sections 1.1 and 1.3, and Exhibit A of the Third Supplemental Indenture, dated October 22, 2007.
[4] Sections 1.3 and 1.5, and Exhibit C of the Sixth Supplemental Indenture, dated June 28, 2010.
[5] Sections 1.3 and 1.4, and Exhibit B of the Seventh Supplemental Indenture, dated May 30, 2012.
[6] Sections 1.3 and 1.4, and Exhibit A of the Eighth Supplemental Indenture, dated May 16, 2013.
[7] Sections 1.1 and 1.3, and Exhibit A of the Fourth Supplemental Indenture, dated October 22, 2007.
[D] See Article XIV of Base Indenture, dated October 22, 2007, for additional details on the tax provision.
[F] "Change of Control Triggering Event" means the occurrence of both a Change of Control and a Below Investment Grade Rating Event (by at least two of the S&P, Moody's, and Fitch). See for example, Section 1.2 of the Seventh Supplemental Indenture.

APPENDIX A:
CURRICULUM VITAE

Franck Risler, Ph.D.

Senior Managing Director
Leader of the Securities, Commodities and Derivatives practice

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Education

Ph.D., Numerical Mathematics, École Normale Supérieure Paris-Saclay
M.Sc., Management, ESSEC Business School

Award

Winner of the 1997 "SEYMOUR CRAY PRIZE" Numerical Mathematics and High-Performance Computing

Expertise

Derivatives Analysis
Transaction Advisory
Valuation
Expert Testimony
Risk Management

Industries

Energy, Power & Products
Financial Institutions
Insurance
Mining
Real Estate

Franck Risler, Ph.D. assists clients on a wide range of transactional, advisory and contentious matters involving securities, financial and physical commodities and derivative products across asset classes. Dr. Risler combines deep industry expertise and academic rigor. He has traded global markets, built and managed leading trading businesses and advised on high-profile transactions and litigation in global capital markets and commodity industries. Dr. Risler is a member of FTI Consulting ("FTI") Global Energy Steering Committee and the firm's Global AI Leadership Committee.

Dr. Risler brings more than 25 years of experience in trading, quantitative investment, risk-management and financial technology across asset classes (e.g., equity, interest-rate, commodity, foreign exchange, credit and cryptocurrencies/digital assets) both on the sell-side and the buy-side. He has a proven track record of building and managing successful risk-controlled derivatives trading and investment businesses and developing large scale trading infrastructure at leading large global businesses at major financial firms.

Dr. Risler's work includes independent expertise and testimony in disputes, litigation and arbitration; complex valuation matters including structured derivatives, illiquid instruments and customized business valuation; transactions (e.g., M&A) and restructuring advisory; risk management and derivatives hedging advisory; business transformation; integrated due diligence; independent business reviews; investigations; and advanced quantitative solutions. His main clients are broker-dealers, asset managers, hedge fund managers, private equity firms, regulators, legislators, brokers, commodity traders, energy companies (including upstream, midstream, and downstream operators), as well as mining and metal processing firms.

Prior to FTI, Dr. Risler was the founder and Chief Investment Officer of Laplace, a derivatives-focused multi-asset hedge fund with innovative risk-focused investment strategies. Prior to that, he held several critical and essential trading roles at CIBC, including but not limited to, Global Head of Interest-Rate Derivatives Trading and member of the Fixed-Income and Currencies management committee, Head of Equity Derivatives Trading Europe and Asia (franchise and proprietary businesses), Co-Global Head of Commodity Trading and Global Head of Equity Exotics Trading and Hybrid Derivatives Trading. A major focus for Dr. Risler at CIBC was the control and design of all derivatives trading technology and analytics undertaken by the bank in every asset class and location, leading to a unique merging of all pricing and risk management onto a single firm-wide infrastructure. In particular, the advanced trading system that he developed became (and still is) CIBC's trading and risk management system in place for all derivatives businesses across asset classes globally. Dr. Risler started his career at Lehman Brothers in equity derivatives trading.

Dr. Risler advises corporations, financial institutions, commodity firms, regulators and legislators on a wide range of trading, valuation and risk management issues in relation to market, credit, liquidity, operational risk and technology as well as risk-driven business transformation initiatives. In the context of transactions, he often performs integrated due diligence which includes commercial, operational, trading, risk management and trading technology due diligence.

Dr. Risler has extensive knowledge of commodity trading in energy and metal and has been an advisor in high-profile commodity trading firms' M&A transactions and restructuring engagements, providing expertise on trading book analysis, hedging, operational assets and commercial contracts review, financing, corporate valuation as well as all aspects of risk-taking and risk-management (policies, processes, infrastructure, risk analytics and trading systems).

He has also deep expertise in quantitative investment strategies (fully systematic or "quantamental" hybrid strategies), trading platforms and exchanges, and conducts investigations on behalf of financial institutions, regulatory bodies or competition authorities to assess activities such as market manipulation or market abuse (e.g. spoofing, insider trading), including in the context of algorithmic and high frequency trading.

Dr. Risler has co-developed Quantum, FTI's proprietary analytics and risk management flagship technology solution that provides comprehensive valuation services, advanced risk reporting across asset classes and a configurable stress testing framework with complex scenario analyses capabilities.

Dr. Risler has published several papers on applied numerical mathematics in leading international scientific journals (e.g. *Contemporary Mathematics, Numerical Algorithms and the International Journal for Numerical Methods in Engineering*).

Awards

— **Seymour Cray Prize** of France for his work in the field of Numerical Mathematics and High-Performance Computing, (1997)

Recognition

— Appointed to the Expert Panel of P.R.I.M.E. Finance, the *Panel of Recognised International Market Experts in Finance*, (2020)

Relevant Advisory Experience

— 2024: Performed an in-depth analysis of the terms of asset-based lending ("ABL") in a contemplated taking-private transaction of a medical equipment business; analyzed the liquidity and credit risk of the issuer; compared the proposed ABL terms with terms of similar instruments.

— 2023 – 2024: Advisor to the American Investment Council ("AIC"); prepared a white paper on the National Association of Insurance Commissioners ("NAIC") proposed modeling and stress test scenarios for collateralized loan obligations ("CLOs"); commented on (i) the limitations of NAIC's proposed default and recovery rate data, (ii) inadequacies in modeling default correlation, prepayment risk, and purchase price discount, (iii) failure to include economic factors that could significantly impact the credit risk of CLOs, and (iv) inconsistencies of the proposed stress test scenarios with market reality; presented the white paper before the director of NAIC's Structured Securities Group and representatives from the NAIC Valuation and Securities Task Force; provided recommendations to enhance NAIC's proposed methodology for distinguishing credit risk between different CLOs.

— 2023 – 2024: Advisor to the official committee of equity holders ("OEC") of Core Scientific, a cryptocurrency mining company; evaluated the parameters of two warrants, a convertible, a contingent value right ("CVR"), and equity to be issued as part of the Restructuring Support Agreement ("RSA") negotiations; quantified the distribution of value to be provided to each of the creditors and committees of the bankruptcy as part of the

RSA; computed the value of the warrants, the convertible, and the CVR at different enterprise values and under different market and emergence scenarios.

— 2023 – Present: Advisor to a leading physical precious metal coin retailer; evaluate the liability of certain buyback policies provided to their customers; forecast the future sales and potential buybacks for different categories of silver and gold coins based on historical data, precious metal futures, and inflation forecasts; and estimate the potential liability in different stress scenarios in both ongoing and winddown operations.

— 2023 – Present: Advisor to the unsecured creditor committee ("UCC") of FTX Trading LTD., et al. ("FTX"), consisting of four cryptocurrency businesses composed of (i) non-US based derivatives and spot exchanges, (ii) US based derivatives and spot exchanges, (iii) a market-maker and hedge fund, and (iv) a venture investment firm.

Coin management: Advise on the post-petition crypto portfolio management to maximize creditors' recovery, including derivatives overlay strategies, staking and monetization strategies (with a focus on a quantitative taxonomy of the portfolio and on optimal liquidation methods); advise on the selection of OTC liquidity providers, custody solutions and triparty collateral management; produce detailed performance, risk and liquidation analysis of the crypto portfolio to support the crypto portfolio management strategies; develop a framework with the UCC to manage the priority and governance of crypto monetization; oversee the trading execution of the crypto portfolio management strategies

Business plan: Advise on the waterfall analysis as part of the plan development; evaluate potential recovery values for crypto asset, including the liquidated value of crypto holdings and unvested token receivables; advise on the crypto customer entitlements, including the value and possible recovery.

Claims: Provide crypto valuation expertise for the pricing of claims; evaluate different methods and sources of pricing the crypto claims; analyze potential instances of price manipulation and alternative pricing to correct for the manipulation; value select tokens with insider connections to FTX where quoted prices did not represent an accurate price of the claim; appraise and oversee the valuation and close-out pricing of crypto derivatives.

FTX 2.0: Perform an in-depth analysis of the viability and benefits for the UCC of a potential relaunch of FTX's non- US core exchange and a breakdown of the valuable components of FTX's existing technology/infrastructure (including competitive positionings) to propose potential relaunch structures; contribute to the ongoing execution of the FTX 2.0 reboot.

Recovery actions: Assess the pre-petition entities to identify recovery opportunities; review valuation and market/credit risk management calculations and models (e.g., cross margining models and auto-liquidation algorithms); benchmark and evaluate FTX's trading and risk management framework, policies, monitoring, and implementations; identify instances of trading malfeasance; provide expertise in the context of various recovery actions with focus on crypto spot and derivatives matter; analyze the viability and amount of potential preference actions.

— 2023: Advisor to a multinational lead scrap battery recycler; evaluate the company’s newly proposed lead hedging strategy to assess its potential risks, benefits, and operational challenges compared to the company’s existing strategy; estimate the financial impact under the proposed strategy following large changes in lead prices.

— 2022-2023: Advisor to a large US television studio for the fair value valuation of four contingent incentive units with payouts based on the future EBITDA and EBITs of subsidiary production companies; estimated the expected EBITDA and EBIT for the next four years and quantified the expected value of complex payouts based on multiple years of earnings and pre-payments of the liabilities.

— 2022-2023: Advisor to Flack Global Metals and Flack Metal Bank ("Flack"), a steel supply manager and financing firm; produced a report on the potential benefits of commodity hedging for a company; provided examples across multiple industries when hedging was beneficial based on prior case work and instances when companies did not hedge and faced significant challenges.

— 2022-2023: Advisor to a power generator owned by a leading private equity firm to review and evaluate the operations and processes of the company to suggest areas for improvement. Compare the company's trading and risk framework and systems/infrastructure versus industry best practices and competitors; identify and suggest improvements for trading systems and process shortfalls; analyze the company's models for margin and collateral use, valuation, and risk management; propose changes to the trading and risk infrastructure and team structure to mitigate operational risk (e.g., key person risk, trade input errors); evaluate and advise on hedging strategies and the use of options to reduce collateral requirements.

— 2022 – 2023: Advisor of a real estate development and management company in the design and execution of hedging strategies to reduce the volatility of its earning with liquid hedging instruments. Applied advanced statistical methods and machine learning models to derive the earning drivers and remove outlier events related to COVID and one-off revenue drivers; design a framework for optimal hedging trades; implemented and calibrated models to determine the hedge trades under defined goals and constraints; perform the backtesting of the hedge strategy's efficiency.

— 2022 – 2023: Advisor to a leading multinational precious metal mining company for its contemplated strategic investment in a global commodity merchant trader; focused on the analysis of the trader's physical and derivatives trading book and commercial contracts due diligence; provided valuation, risk management and financing advisory.

— 2022 – 2023: Advisor to the unsecured creditor committee ("UCC") of Talen Energy Supply, LLC ("Talen Energy"), a power producer which operates a diverse generating portfolio in variety of US markets (e.g., PJM, ERCOT). Assist in the negotiation of the post-petition trading and hedging motion; perform a thorough ongoing monitoring of the hedging activity and assess its impact on the energy margin/EBITDA over the bankruptcy period to protect UCC's interests; review Talen Energy's long-term plan and perform sensitivity analysis vs. various market shocks; value and perform stress testing on Talen Energy's hedging portfolio of about 50,000 power and gas derivatives (linear and nonlinear products) using high performance computing techniques; analyze Talen Energy's pre-petition trading and hedging activity in the context of potential recovery actions.

— 2022 – 2023: Advisor to the unsecured creditor committee ("UCC") of Voyager Digital LLC ("Voyager"), a cryptocurrency lender who filed for bankruptcy due to heightened volatility in cryptocurrencies and the collapse of one of its debtors, the hedge fund Three Arrows Capital; analyze Voyager's cryptocurrencies portfolio, articulate optimal asset recovery strategies and define possible hedging strategies to protect the UCC's interests.

— 2022: Advisor to a leading North American distributor of Energy and Natural Gas; evaluated the potential liquidation value of a power and gas hedge portfolio consisting of about 30,000 trades; assessed the liquidation cost using two best practice market impact models and one recently developed complex optimal portfolio liquidation model; computed the results based on three scenarios (optimistic, base and adverse scenarios) corresponding to the range of potential calibration inputs for the liquidation models (e.g., market factors, such as volatility, bid/ask spread, and volume traded) and the assumptions the company's counterparties may make as part of the liquidation.

- 2022: Advisor to an alternative asset manager to develop a risk framework for use in their cryptocurrencies' portfolio construction; developed a risk management framework, with models specially built for crypto assets; further advised the manager on issues related to asset custodianship and the manager's plans to permit investors to invest and borrow using crypto; evaluated pricing sources and ongoing issues related to the daily marking of their holdings.

- 2022: Appointed by Her Majesty's Treasury ("HMT") to advise on potential scenarios and solutions regarding the imminent bankruptcy of a large European distressed oil, natural gas (pipeline and LNG), power and carbon trading company (the "Group"). HMT expected the bankruptcy of the Group due to severe stresses in energy markets and recent political events, which would have seriously impacted the European energy wholesale and supply markets. We advised on multiple areas, including: the risk analysis and liquidation value of the trading book in both distressed and non-distressed wind downs; the analysis of the liquidity and profitability of different parts of the Group including its various European retail businesses; the impact of a change of control on several trading agreements and financing requirements of the Group in various scenarios; and potential strategies the UK Government could take to mitigate adverse outcomes. The Group was eventually stabilized through a change of control and new financing from a European state-owned development bank.

- 2022: Advisor in a transaction involving a broker-dealer and FCM active in equity, commodity, FX, and crypto assets; reviewed the risk taking and the risk management of the various brokerage desks and trading books; analyzed the time series of the performance and risk metrics of each desk (e.g., P&L, drawdowns, Value at Risk/Expected Shortfall, stress scenarios) and evaluated their consistency with the stated activity/desks' mandates; analyzed the firm's risk management framework across market, credit, liquidity and operational risks and its IT systems; and assessed the FCM's clearing risk management approach vs. best practice and advised on advanced methods for clearing margin calculation.
- 2022: Advisor to a US company to estimate the fair value of an exotic option and preferred shares that the company issued to a foreign strategic partner. The option's payout had complex features such as a variable strike and early exercise and the preferred shares included a mandatory conversion to common stock and a liquidation preference. Priced the option payout with a stochastic volatility model calibrated to market implied volatilities; valued the early exercise feature of the option through advanced numerical techniques; quantified the discount for lack of marketability using a derivatives-based methodology to account for the option selling restrictions; used machine learning techniques to model the likelihood of a liquidation event and the probability of the company defaulting or being acquired.
- 2022: Advisor to a large European investment and private bank regarding its exposure to Russian clients in the context of the imposed Sanctions on Russian individuals and businesses following the invasion of Ukraine; reviewed the Bank's process for identifying Russian nexus collateral, clients and counterparties and mitigating its exposure to Russia by proactively managing risk and, where reasonable, closing out transactions in its investment banking business (loans, derivatives and trade finance), in its private and corporate banking business (commodities trade finance, loans, mortgages, aircrafts financings) and in its global wealth management business (Lombard facilities, derivatives, mortgages and private jets financing).
- 2022: Advisor to a US company for the fair value valuation of its privately issued convertible notes in connection to its SPAC merger; estimated the likelihood and timing of a merger and the pay-out received upon conversion of the notes; quantified the discount for lack of marketability to account for the sale restrictions.
- 2021: Engaged by a large FCM in relation to the prospective acquisition of another large FCM; performed a financial due diligence on the target including: a quality of earnings analysis; an analysis of historical operating results (with particular focus on recent events during a period of market stress); and an analysis of the

historical balance sheets and net working capital. Our work also included the review and stress analysis of regulatory capital requirements.

- 2021: Advisor to the leading global sports apparel company for the valuation of its stock options in the context of its financial reporting; provided a detailed analysis of the appropriate volatility pricing parameters for its auditors.
- 2021: Advisor to the rights holder of a large commercial bank in South America for the valuation of the rights. Informed the rights holder of the costs and process of exercising the rights and selling the delivered shares versus selling the rights directly, which were listed on both US and local exchanges and were fungible; provided regular market alerts and trading update to the client during the right exercise period as the value of the rights varied over time and between exchanges.
- 2021: Advisor to a leading retail energy provider to evaluate its hedging strategies for winter 2021; examined the effectiveness of the company's existing hedge plan that consisted of linear derivatives, options, and hybrid power/weather derivatives; advised on unhedged risks and credit risk subject to significant concentration; and suggested various mitigation strategies and alternative hedge plans.
- 2021: Advisor to a client in the structuring, pricing and execution of a large and complex financing transaction with embedded equity derivative structures that were underwritten by a top tier US bank; analyzed the bank's proposals using FTI proprietary analytics and risk management system Quantum; constructed alternative financing options that further met the client's overall strategy, the liquidity of their assets and provided a superior risk profile; provided the client with critical advice on the valuation of the financing structures and helped negotiate with the bank in order to achieve more favorable financing terms; provided market and trading expertise in the negotiation of the ISDA agreement and other legal documentation supporting the transaction; advised the client on an optimal equity trading strategy, the execution of which was necessary to finalize the parameters of the financing, while managing liquidity constraints.
- 2021: Advisor to a large Asia-based commodities trader in the estimation of various early monetization scenarios for their physical commodities and derivative portfolio in advance of the company's balance sheet restructuring. The company had exposure to physical commodities off-take contracts, marketing contracts, financial hedging derivatives contracts, as well as trades in coal, oil, iron, copper, freight, and other commodities. Considered two scenarios of a managed wind-down and an immediate liquidation of all businesses and assessed separately physical contracts and financial derivative contracts, accounting for the company's ability to execute on remaining contracts, to sell contracts or units, and the discount created from liquidity constraints; reviewed the trade finance and margin balances and the terms of the company's trading agreements to calculate recoverable collateral under each scenario and the expected timeline to exit each position supported by the company's financing.
- 2021-Present: Advisor to the unsecured creditor committee ("UCC") of Entrust Energy a Texas-based power retailer who filed for bankruptcy following winter storm Uri in 2021; provide derivatives valuation expertise on the close-out of the company's power hedging book.
- 2021-Present: Advisor to a leading energy trading company in relation to the extreme gas market disruptions created by the winter storm Uri in 2021.
- 2021-Present: Advisor to the unsecured creditor committee ("UCC") of Brazos Electric Power Cooperative, a Texas-based generation and transmission cooperative who filed for bankruptcy following winter storm Uri in 2021. Assist in the negotiation of the post-petition trading and hedging motion and review the ongoing hedging activity and risk exposure; investigate Brazos hedging activity and risk exposures prior to the storm to understand the contributing factors of the bankruptcy. Evaluated the Generator's preparedness for future winter and promoted to the Generator's management hedging best practices; developed numerous stress scenarios that represented mild, moderate, and severe winter storms using a machine learning algorithm;

proposed hedging portfolios to manage the risk of stress weather events; contributed to credit enhancing change in the Generator's trading and hedging strategies.

- 2021: Advisor to the lender of an agricultural commodity trading firm in relation to the refinancing of its debt; analyzed the impact of transitioning from LIBOR to SOFR on a refinanced loan.
- 2021: Advisor to a US-listed corporation on the valuation of a complex executive contingent stock plan.
- 2021: Advisor to a commodity trading firm on the analysis of their structured agricultural derivatives portfolio (corn, wheat and soybean); provided valuation and risk analysis of the portfolio using FTI's proprietary system Quantum; developed customized stress testing and advised the trading firm on hedging strategies for the agricultural derivatives book; evaluated the trading firm financing and liquidity risk framework, reviewed how the company matched the maturity of assets with liabilities, and appraised its trade finance, and credit facilities.
- 2021: Advisor to a leading private equity firm's portfolio company with activity in the renewable energy space. Provided an assessment of the company's existing derivatives risk management framework: reviewed the current state of its organizational hedge strategies, governance and controls; assessed the effectiveness of legacy strategies and potential risk exposure from unhedged positions; reviewed the capital requirements of its current hedge positions and proposed capital efficient alternatives; collaborated with the company to consolidate and update their FX and interest rate derivative risk management policy to follow best practices. Assisted the company in the establishment of a new comprehensive hedging strategy; leveraged FTI's proprietary Quantum technology to deliver a customized hedging strategy based on their current business forecast, known cross-border or capitalization events, and strategic positioning based on their long-term business strategy.
- 2020: Advisor to the unsecured creditor committee ("UCC") of a leading provider of advanced mineral-based solutions serving the industrial and energy industries; provided the UCC with valuation expertise of the post-emergence debt which included the pricing of embedded derivatives.
- 2020-2021: Advisor to the unsecured creditor committee ("UCC") of RGN-Group Holdings, LLC et al., a leading serviced offices provider; support the UCC with valuation expertise for lease guarantees and other contingent lease liabilities; estimate the default risk with forward-looking, market-based methodologies (e.g. default probabilities calibrated from CDS spreads) on baskets of real estate and REIT companies both before and after the onset of the COVID-19 pandemic; analyze and highlight deficiencies of legacy valuations of the guarantees and liabilities that used historically calibrated default probabilities.
- 2020: Advisor to an airline in the restructuring of its jet fuel derivatives hedge portfolio made of calendar swaps and options strategies; evaluated multiple proposals from the airline's counterparties using FTI's proprietary Quantum technology to find the best fit for the company's strategy and cash requirements; helped the airline negotiate new more favorable terms, including the formulation of counterproposals and alternative structures; assessed the credit charge requested by each counterparty to restructure the hedge book with new uncollateralized trades; advised the airline on which amended terms would make the various proposals comparable.
- 2020: Advisor to the unsecured creditor committee ("UCC") of California Resources, a large E&P company; structured and valued derivatives to be granted to the unsecured creditors as part of the restructuring plan; supported the UCC with derivatives expertise throughout the restructuring process.
- 2020: Advisor to the target company ("Target") in a transaction involving leading Swiss and Belgium holding companies with assets consisting of large stakes in European public and private companies as well as alternative investments. The transaction triggered a technical default on the Target's bond, and UBS, as principal agent of the bond, requested a report from FTI that analyzed the Target's continued ability to service the debt post transaction. Our scope of work included: overview of the transaction; analysis of the underlying

investments of the Target and the impact of the COVID-19 pandemic; comprehensive analysis of the historical and forecasted dividend streams of the Target's underlying investments, including information available in the derivative markets and stress scenarios; analysis of the Target's historical and forecasted financial statements; and preparation of a written report to UBS. After review of FTI's report, UBS waived the default on the bond.

- 2020: Advisor in the restructuring of ED&F Man, a leading global soft commodity trader and global financial brokerage; focused on risk taking and risk management review and business plan validation; reviewed the market, credit and liquidity risk across coffee, sugar and molasse liquid products ("MLP") in the commodity trading group; reviewed the FCM, broker-dealer and swap dealer activities across equity, interest rate, FX and energy/commodities; analyzed the management of margin requirements in the clearing business through stress-scenario, liquidity and concentration analyses; assessed the trading infrastructure and cybersecurity posture.
- 2020-2021: Advisor in the restructuring of Extraction Oil & Gas, an oil and gas E&P company with a hedge derivatives portfolio made of calendar swaps and complex options strategies; analyzed the hedge book to determine its effectiveness; forecasted monthly income, counterparty exposure and the impact from different pricing scenarios using FTI's proprietary Quantum technology; reviewed and quantified the impact of an "early" monetization as a result of the company monetizing the hedge book pre-maturely related to a restructuring; helped develop a monetization strategy and assisted in its execution with FTI Quantum; reviewed and advised the lenders on the restructuring of the outstanding hedge portfolio proposed by the E&P company post-filling and analyzed the execution of this hedge restructuring; provided real-time valuation and risk analysis of the hedge book throughout the bankruptcy process.
- 2020: Advisor to a hedge fund in the valuation of an illiquid convertible bond with restrictions on transferability in the context of an investigation.
- 2020: Advisor in the restructuring of Chesapeake Energy, a large oil and gas E&P company; analyzed the hedge book to determine the protection it provided, forecasted monthly income, counterparty exposure and the impact from different pricing scenarios using FTI's proprietary Quantum technology; reviewed the hedging contractual framework (e.g. trading documents such as ISDAs and CSAs), as well as the lending agreements and collateral agreements governing the liens on the hedge portfolio; reviewed their monetization options and the associated realizable value, specifically the impact of the company monetizing the hedge book pre-maturely related to a restructuring; assessed the impact of monetization on the various constituencies (e.g. set-off rights) and developed an appropriate strategy; recognized counterparty termination rights and ramifications, and remedies available to other stakeholders
- 2020: Advisor to a large real estate investment trust that invests in and finances residential and commercial mortgage-back securities and mortgage loans (agency and non-agency RMBS and CMBS) in its discussion with its lenders on forbearance agreements; provided industry expertise on repurchase agreements, interest rate hedging, central clearing and the management of margin calls; structured and priced an innovative derivative structure underpinning a proposal to the lenders.
- 2020: Advisor to the private capital arm of a large US asset manager in the context of an investment in a major FCM and broker-dealer with trading activity across asset classes in cash and derivatives products; reviewed the target company's brokerage desks and trading books; assessed its risk management framework across market, credit, liquidity and operational risks and its IT systems; performed compliance due diligence focusing on KYC, AML and trade surveillance procedures; advised on advanced methods for clearing margin calculation and enterprise risk management best practices.
- 2020: Advisor in the merger integration of two leading exchanges and market infrastructure operators with activities across stocks, fixed-income, derivatives, indices and clearing; provided industry expertise on trading, clearing, settlement and registration as well as index calculation and market data offering; advised on the best practice for central counterparty clearing margin calculation and risk management.

- 2020: Advisor to a leading company in the lead metal processing and battery recycling space in relation to its commodity and foreign-exchange trading and hedging function.
- 2020- Present: Advisor to the unsecured creditor committee ("UCC") of Highland Capital Management, an alternative asset manager deploying a wide range of hedge fund and private equity strategies including high yield credit and distressed debt, healthcare, real estate, and structured credit (CLOs).
- 2019: Advisor in the restructuring of a leading energy producer in the United States; focused on the commercial contract review and trading related matters.
- 2019: Advisor in the orderly wind-down of the equity business of a major global broker; prepared the wind-down plan in collaboration with the company; monitored the execution of the orderly wind-down (e.g. close-out of all positions), communicated with the regulators on the wind-down and facilitated the data harvesting to retain a complete set of historical records relevant to the equity business' activity.
- 2019: Advisor to a European legislator on the concentration and risk-management in central counterparty clearing.
- 2019: Advisor in the restructuring of a large metal processing and mining group; focused on industry analysis and business plan validation; reviewed the hedging program across commodity, FX and power derivatives; reviewed and valued commercial contracts.
- 2018: Advisor to a leading international derivatives association on the valuation of a derivative in the context of a credit restructuring event of a European corporate bond; the valuation provided was accepted and formed the basis of the deemed auction price used to settle the credit derivatives referencing the bond.
- 2018: Advisor to a large private equity firm on a distressed investment involving logistic assets, a leading global commodity trading firm and a cross-asset derivatives brokerage firm; performed operational and commercial due diligence and strategic analysis for the client.
- 2018: Performed the valuation of a complex contingent stock plan for a US-listed corporation.
- 2018: Advisor to a large US asset-manager on a syndicated derivative hedging program in the context of the junior debt financing for the acquisition of an aluminum smelter.
- 2017-2018: Advisor to a major global mining company in their successful acquisition of one of the largest global metal trading firms; focused on the analysis of the commodity trading industry and strategic options; reviewed the trading firm's physical and derivatives trading book, operational assets and commercial contracts due diligence; assessed the optionality and impact of the transaction in offtake agreements; provided valuation, financing and post-transaction advisory.
- 2017: Strategic advisory in the European power market (major utility company).

Relevant Arbitration-Dispute-Litigation-Investigation Experience

- 2024: Appointed as an expert witness in a dispute between a major Swiss exchange and a top tier global broker-dealer. Analyzed the trades leading to the alleged barrier breaches of 50 structured products; quantified the expected price impact of broker-dealer's trades and the probability of the barrier breach since the product launch; critiqued the loss calculation presented by the exchange.
- 2023 – Present: Appointed as an expert witness in a dispute between a global inter-dealer broker and its former employee regarding the commercial viability of a trading platform in the Asia non-deliverable forward ("NDF") market. Opined on the difference between the trade matches of a gap risk mitigation system versus an electronic trading platform, the structure and participants of the Asia NDF market, the liquidity of Asia NDF

instruments, the functioning of the FX IDB market, and forex trading venues. Issued an expert report and provided testimony at a deposition.

— 2023: Testifying expert on behalf of a global paper producer (the "Company"), which went into bankruptcy due to financial difficulties, against two hedge fund investors who were the Company's largest creditors and shareholders. Analyzed the two hedge funds' credit default swap ("CDS") strategies; calculate the profit and loss ("P&L") expected to result from the hedge funds' investments in the Company under varied scenarios; demonstrate the primary driver of the hedge fund investors' investments in the Company was the P&L impact of CDS payments from credit events.

— 2022: Advisor to a top tiers US bank in the context of a CFTC investigation of some of its equity derivatives trading businesses.

— 2022 – Present: Appointed as testifying expert by a leading US gas liquefaction and LNG export company in relation to the valuation of a complex derivative associated with its financing structure.

— 2021-Present: Appointed as testifying expert in a dispute between a bank and a transportation company related to an interest rate swap ("IR Swap"). The IR Swap was structured as a risk management transaction ("RMT") for a floating rate syndicated loan, for which the bank acted as both the lead lender of the loan and the IR Swap counterparty. Provided an independent valuation of the IR Swap and evaluated whether it was transacted at a reasonable market price; assessed the suitability of the IR Swap for the company and analyzed the appropriateness of the IR Swap as an RMT to hedge the floating rate payment risk in accordance with the company's stated objectives; reviewed the continued effectiveness of the IR swap as an RMT following the introduction of a floor to the floating rate of the syndicated loan; quantified the magnitude of the basis risk and articulated options available to the company to mitigate this risk; reviewed and rebutted the damages analysis of the opposing experts.

— 2021: Advisor to the prime broker of a defaulted family office with directional, undiversified and highly levered equity positions implemented through total return swaps.

— 2021: Advisor to a top tier global broker-dealer in relation to a CFTC investigation involving Treasury bonds and USD swap trading for new Sovereign, Supranational and Agencies ("SSA") bond issuances. Provide expertise in explaining and interpreting communications between traders; analyzed trading activity around the time the SSA bonds were priced, and related risk management transactions were executed.

— 2020: Advisor to the trustee of a large portfolio of RMBS securitized products regarding the LIBOR cessation. Provide expertise on existing fallback mechanisms and the selection of an adequate replacement rate.

— 2020: Advisor to the trustee of a large and diverse portfolio of securitized products regarding the LIBOR cessation. Provide expertise on existing fallback mechanisms and the selection of a replacement index to determine Eurodollars lending rates.

— 2020: Advisor in a litigation over the failure to consummate a large hotel portfolio acquisition. Provided expertise on the financing structure and valuation advisory on the associated interest rate and credit derivatives hedges.

— 2020-Present: Appointed as expert witness by a large metal processing and mining group (now fully owned by one of the largest global commodity trading firm) to provide written testimony in relation to a dispute between some minority shareholders and the company's former board of directors. Provided expertise with respect to the mining industry, the dynamic of supply and demand for zinc and lead concentrate and treatment charges; reviewed the company strategy and execution for the divestment of certain mining assets; analyzed the company's transactional and structural/strategic hedging strategies and compared them with practices in the mining and metal industries; reviewed the execution of the hedging strategies and its effect on

earnings and liquidity for the company; assessed the company liquidity and financing arrangements (trade finance, working capital, prepay and other financing arrangements).

- 2019: Advisor to a top tier US bank's prime brokerage business in relation to the insolvency of a hedge fund client that specialized in trading complex FX derivatives in emerging markets currencies; performed analysis of the investment decisions of the hedge fund manager following an extreme market event, investigated the valuation issues of complex derivatives products and reviewed the role and responsibilities of the administrator.
- 2019-2021: Independent monitor of a leading FX derivatives brokerage in relation to spoofing, market manipulation and misrepresentation allegations. Provided guidance on best practice in FX options broking and advanced methods in trade and communication surveillance.
- 2019-2021: Advisor to a group of leading risk-arbitrage hedge funds in a dispute related to alleged misrepresentation by the management of the acquirer company in a cancelled transaction. Provided expertise on risk-arbitrage strategies, derivatives, and damage calculation in the context of the litigation.
- 2019: Appointed as an expert witness to provide written testimony in a dispute related to a GMRA close-out where the collateral assets were subject to OFAC sanctions (En+). Provided technical expertise and written evidence through a comprehensive expert report covering: the process followed by the parties during the GMRA close-out and the calculation of the Default Market Value; the valuation of the En+ group provided by the opposite expert; and the liquidity of the EN+ GDRs and the calculation of the appropriate illiquidity discount following best practice.
- 2019: Appointed as a testifying expert by the liquidator of a hedge fund in a dispute involving a derivatives market-neutral hedge fund strategy, the valuation of complex equity derivatives products and illiquid fixed-income assets (including convertible bonds), the misstatements of the fund's Net Assets Value as well as the role and responsibilities of a hedge fund administrator. Provided technical expertise and written evidence through a comprehensive expert report and oral testimony.
- 2019: Advisor in a litigation involving energy trading and oil markets.
- 2019: Advisor to a major global bank in a market manipulation investigation in the fixed income market.
- 2018: Advisor to a hedge fund in an M&A litigation in the mining sector. Focused on the M&A process and the valuation of the acquired company (in particular, the valuation of its convertible debts products).
- 2018- Present: Monitorship of IHS Markit, a leading credit index financial firm in the compliance of its commitment to the European Commission around FRAND licensing standards.
- 2018: Advisor to a top tier global bank in civil and criminal proceedings over an alleged accounting fraud in the restructuring of an investment vehicle which contained a collar equity swap referencing shares of an Italian bank that was restructured into a long term repurchase agreement referring Italian BTPs. Provided expertise with regards to an alleged market manipulation in the EURIBOR futures market as well as the pricing of wrong-way risk.
- 2017-2018: Advisor in a litigation between a major banking institution and an investor involving a trading dispute on a portfolio of structured products on equity and FX.

Employment History

- FTI CONSULTING LLC (New York), 2018 – Present. Senior Managing Director, Leader of the Securities, Commodities and Derivatives Practice

- Role & Responsibilities: Dr. Risler is the leader of the Securities, Commodities and Derivatives practice, which provides both advisory services for transactions, restructurings and risk-management and independent expert contentious services for investigations, disputes and litigations. The Securities, Commodities and Derivatives team at FTI works on a broad range of critical and complex engagements with corporations, financial institutions (banks, broker-dealers, trading firms, investment managers, brokerage, trading venues etc.), regulators and energy and commodity firms (including traders, upstream, midstream and downstream operators).

— LAPLACE ADVISORS, 2017 – 2018.

- Role & Responsibilities: Dr. Risler acted in an advisory capacity on M&A transactions and restructuring engagements involving investment firms, commodity traders and energy companies. He provided capital markets consulting, risk advisory and quantitative solutions for financial institutions and commodity firms; he brought critical expertise on trading book analysis, trading assets and corporate valuations as well as all aspects of risk-management (policies, processes, infrastructure, risk analytics and trading technologies).

— LAPLACE CAPITAL PARTNERS ("LAPLACE"), 2010-2017. Founder and Chief Investment Officer ("CIO")

- Role & Responsibilities: Dr. Risler was the founder and CIO of Laplace, a derivatives-focused multi-asset alternative investment manager. He co-developed Laplace's formal investment process which frontlines proprietary risk-management methodologies and innovative risk-focused investment strategies.
- Dr. Risler led the risk-focused portfolio management and was responsible for developing and executing investment strategies with asymmetric return profiles as well as managing the investment team. Dr. Risler also acted as CEO and managed the broader business of the investment-manager, having led Laplace's trading, technology and operational set-up and created Laplace's advanced technology investment infrastructure with best-in-class institutional standards.

— CIBC WORLD MARKETS, 2001-2008. Managing Director

- Dr. Risler held at CIBC positions of increasing seniority and demonstrated he was a very skillful manager of derivatives books across asset-classes with a rare knowledge and understanding of the broad spectrum of risks. As a head trader, he proved over the years to be very responsible in risk-taking and demonstrated expertise in risk-management, leading to consistent profitability and low volatility of revenue. A major focus for Dr. Risler was to build tools (models and trading systems) in support of the expansion of the equity, commodity and interest rate derivatives businesses and he was the driving force behind the development of "best of breed" analytic and technology solutions at the bank, many of which were ultimately adopted across the trading room globally.
- Dr. Risler also provided strategic and planning inputs for the management of the broader organization through his participation in regional and global management teams.

— Global Head of Interest-Rate Derivative Trading, Global Head of Macro Trading, Fixed-Income and Currencies Division, Toronto, 2008-2008.

- Role & Responsibilities: Reporting to the Global Head of Capital Markets, Dr. Risler was responsible for all interest-rate trading globally and then mandated through the year to bring the interest-rate, FX, commodity and equity leveraged businesses under a global macro integrated cross-asset derivatives business. Dr. Risler served as member of the Global Leadership Team and the Fixed-Income and Currencies Management Team.

- Head of Trading Equity Europe and Asia, co-Global Head of Commodity Trading, Global Head of Hybrid and Structured Products, Equity and Commodity Division (ECSP), London, 2007-2008.
    - Role & Responsibilities: Reporting to the Global Head of Equity and Commodity Structured Product (ECSP), Dr. Risler was managing all ECSP client derivatives business and proprietary activities for Europe and Asia and served as member of the European Management Committee. He continued to be responsible for hybrids, exotics and commodity trading as well as quantitative analytics globally.
- Co-Global Head of Commodity Trading, Global Head of Hybrid and Structured Derivatives, Equity and Commodity Structured Product Division (ECSP), London, 2005-2007.
    - Role & Responsibilities: Reporting to the Global Head of Equity and Commodity Structured Product (ECSP), Dr. Risler was responsible for the global commodity trading business. He continued to manage hybrids and exotics trading as well as quantitative analytics globally.
- Global Head of Hybrid and Structured Derivatives, Equity Structured Product Division (ESP), London, 2004-2005.
    - Role & Responsibilities: Reporting to the Global Head of Equity Derivatives, Dr. Risler managed exotics and hybrid derivatives as well as quantitative analytics for the Equity division globally.
- Global Head Exotic Trader, Equity and Commodity Structured Product Division (ECSP), London, 2001-2004.
    - Role & Responsibilities: Reporting to the Global Head of Equity Derivatives, Dr. Risler was recruited to build a risk-controlled equity structured derivatives franchise and to manage exotic derivatives and quantitative analytics for the Equity division globally.
- LEHMAN BROTHERS, 1999-2001. Exotic Trader, Associate, Equity Division, London
    - Role & Responsibilities: Reporting to the European Head of Equity Derivatives, Dr. Risler traded equity exotic derivatives (single and multi-assets products) and was responsible for the management of the aggregated interest-rate exposure of the European equity derivatives business.

Education

- Ph.D. in Numerical Mathematics (Advanced Methods for Scientific Computing), ENS Paris-Saclay, Mention: Très Honorable avec Félicitations du Jury (highest honors), 1999.
- Ecole Superieure des Sciences Economiques et Commerciales (ESSEC), MSc in Management, Graduate Business School, 1997 – 1999.
- Ecole Normale Superieure Paris-Saclay, 1994 – 1999.

Publications & Conferences

- Iterative Accelerating Algorithms with Krylov Subspaces for the Solution to Large-scale Nonlinear Problems, Risler F. and Rey C., *Numerical Algorithms*, Vol 23, pp.1-30, (2000).
- A Dynamic Newton–Krylov Algorithm for the Numerical Simulation of Hyperelastic Structures, Risler F. and Rey C., Communication at the *5th US National Congress on Computational Mechanics (USNCCM99)*, August 3-6, 1999, Boulder, Colorado, USA.
- Algorithmes Parallèles pour la Résolution de Problèmes Non-linéaires de Grande Taille. Application à la Simulation de Structures Hyperélastique, *Thèse de Doctorat de l'Ecole Normale Supérieure de Cachan*, (PhD Thesis of the Ecole Normale Supérieure de Cachan), (1999).

- A Simple and Unified Framework for Accelerating the Convergence of Iterative Methods with Lagrange Multipliers, Farhat C., Chen P.-S., Risler F. and Roux F.X., *International Journal of Numerical Methods in Engineering*, Vol 42, pp. 257-288, (1998).
- On the Reuse of Ritz Vectors for the Solution to Nonlinear Elasticity Problems by Domain Decomposition Methods, Risler F. and Rey C., Domain Decomposition 10, *Contemporary Mathematics*, vol. 218, American Mathematical Society, pp.334-340, (1998).
- The Rayleigh-Ritz Preconditioner for the Iterative Solution to Large-Scale Nonlinear Problems, Risler F. and Rey C., *Numerical Algorithms*, Vol 17, pp.279-311, (1998).
- Some Results on the Reuse of Krylov Spaces for the Solution to a Succession of Linear Systems, Risler F. and Rey C., Communication at the *Eleventh International Conference on Domain Decomposition Methods*, July 20-24, 1998, The University of Greenwich – Avery Hill Campus, UK.

Expert Testimony (Past four years)

- "Bruce Kim v. XP Securities, LLC, et al.," Testified at Deposition, 2024.
- "The Bankruptcy Estate Of Norske Skogindustrier ASA v. Cyrus Capital Partners, L.P.," Testified at Deposition, 2023.
- "Dana Transport Inc, et al. v. PNC BANK, et al.," Testified at Deposition, 2021.

APPENDIX B:
DOCUMENTS RELIED ON

I. Case Documents

Covidien's Motion For Summary Judgment Based On The Section 546(E) Safe Harbor, July 10, 2024.

Declaration of Benjamin Wood, July 10, 2024, and corresponding Exhibits.

Declaration of Tim Husnik, July 10, 2024, and corresponding Exhibits.

Opinion of John T. Dorsey dated January 18, 2024 (at footnote 2), Opioid Master Disbursement Tr. II v. Covidien Unlimited Co. (In re Mallinckrodt PLC), 20-12522 (JTD) (Bankr. D. Del. Jan. 18, 2024).

Separation and Distribution Agreement, dated June 29, 2007.

Indenture among CIFSA (as Issuer), Covidien Ltd. (as Guarantor), and Deutsche Bank Trust Company Americas (as Trustee), dated as of October 22, 2007.

Third Supplemental Indenture, dated October 22, 2007.

Fourth Supplemental Indenture, dated October 22, 2007.

Fifth Supplemental Indenture, dated June 4, 2009.

Sixth Supplemental Indenture, dated June 28, 2010.

Seventh Supplemental Indenture, dated May 30, 2012.

Eighth Supplemental Indenture, dated May 16, 2013.

Ninth Supplemental Indenture, dated January 26, 2015.

Mallinckrodt Voluntary Petition for Non-Individuals Filing for Bankruptcy, filed October 12, 2020.

II. Data

Bloomberg.

FINRA, Corporate and Agency Bonds Database. Available at: https://www.finra.org/finra-data/fixed-income/corp-and-agency.

III. Covidien-Produced Documents

COV-00018608	COV-00018736	COV-00018864	COV-00018992
COV-00018610	COV-00018738	COV-00018866	COV-00018994
COV-00018612	COV-00018740	COV-00018868	COV-00018996

COV-00018614	COV-00018742	COV-00018870	COV-00018998
COV-00018616	COV-00018744	COV-00018872	COV-00019000
COV-00018618	COV-00018746	COV-00018874	COV-00019002
COV-00018620	COV-00018748	COV-00018876	COV-00019004
COV-00018622	COV-00018750	COV-00018878	COV-00019006
COV-00018624	COV-00018752	COV-00018880	COV-00019008
COV-00018626	COV-00018754	COV-00018882	COV-00019010
COV-00018628	COV-00018756	COV-00018884	COV-00019012
COV-00018630	COV-00018758	COV-00018886	COV-00019014
COV-00018632	COV-00018760	COV-00018888	COV-00019016
COV-00018634	COV-00018762	COV-00018890	COV-00019018
COV-00018636	COV-00018764	COV-00018892	COV-00019020
COV-00018638	COV-00018766	COV-00018894	COV-00019022
COV-00018640	COV-00018768	COV-00018896	COV-00019024
COV-00018642	COV-00018770	COV-00018898	COV-00019026
COV-00018644	COV-00018772	COV-00018900	COV-00019028
COV-00018646	COV-00018774	COV-00018902	COV-00019030
COV-00018648	COV-00018776	COV-00018904	COV-00019032
COV-00018650	COV-00018778	COV-00018906	COV-00019034
COV-00018652	COV-00018780	COV-00018908	COV-00019036
COV-00018654	COV-00018782	COV-00018910	COV-00019038
COV-00018656	COV-00018784	COV-00018912	COV-00019040
COV-00018658	COV-00018786	COV-00018914	COV-00019042
COV-00018660	COV-00018788	COV-00018916	COV-00019044
COV-00018662	COV-00018790	COV-00018918	COV-00019046
COV-00018664	COV-00018792	COV-00018920	COV-00019048
COV-00018666	COV-00018794	COV-00018922	COV-00019050
COV-00018668	COV-00018796	COV-00018924	COV-00019052
COV-00018670	COV-00018798	COV-00018926	COV-00019054

COV-00018672	COV-00018800	COV-00018928	COV-00019056
COV-00018674	COV-00018802	COV-00018930	COV-00019058
COV-00018676	COV-00018804	COV-00018932	COV-00019060
COV-00018678	COV-00018806	COV-00018934	COV-00019062
COV-00018680	COV-00018808	COV-00018936	COV-00019064
COV-00018682	COV-00018810	COV-00018938	COV-00019066
COV-00018684	COV-00018812	COV-00018940	COV-00019068
COV-00018686	COV-00018814	COV-00018942	COV-00019070
COV-00018688	COV-00018816	COV-00018944	COV-00019072
COV-00018690	COV-00018818	COV-00018946	COV-00019074
COV-00018692	COV-00018820	COV-00018948	COV-00019076
COV-00018694	COV-00018822	COV-00018950	COV-00019078
COV-00018696	COV-00018824	COV-00018952	COV-00019080
COV-00018698	COV-00018826	COV-00018954	COV-00019082
COV-00018700	COV-00018828	COV-00018956	COV-00019084
COV-00018702	COV-00018830	COV-00018958	COV-00019086
COV-00018704	COV-00018832	COV-00018960	COV-00019088
COV-00018706	COV-00018834	COV-00018962	COV-00019090
COV-00018708	COV-00018836	COV-00018964	COV-00019092
COV-00018710	COV-00018838	COV-00018966	COV-00019094
COV-00018712	COV-00018840	COV-00018968	COV-00019096
COV-00018714	COV-00018842	COV-00018970	COV-00019098
COV-00018716	COV-00018844	COV-00018972	COV-00019100
COV-00018718	COV-00018846	COV-00018974	COV-00019102
COV-00018720	COV-00018848	COV-00018976	COV-00019104
COV-00018722	COV-00018850	COV-00018978	COV-00019106
COV-00018724	COV-00018852	COV-00018980	COV-00019108
COV-00018726	COV-00018854	COV-00018982	COV-00019110
COV-00018728	COV-00018856	COV-00018984	COV-00019113

COV-00018730	COV-00018858	COV-00018986	
COV-00018732	COV-00018860	COV-00018990	
COV-00018734	COV-00018862	COV-00018988	

IV. Qimonda and Solutia Documents

Solutia Inc., Amendment No. 1 To Form S-4 Registration Statement, dated October 16, 2022.

Trust Indenture between SOI Funding Corp. and HSBC Bank USA, dated July 9, 2002.

Trust Indenture between the Economic Development Authority of Henrico County, Virginia, and SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, dated as of January 1, 2000

Memorandum Opinion of Mary F. Walrath, dated March 26, 2012. EPLG I, LLC ex rel. QR Liquidating Trust v. Citibank, National Ass'n (In re Qimonda Richmond, LLC), 467 B.R. 318 (Bankr. D. Del. 2012).

Memorandum Decision of Prudence Carter Beatty On Joint Motion For Partial Summary Judgment With Respect To Claim No. 6210 (11.25% Senior Secured Notes), dated November 9, 2007. In re Solutia Inc., 379 B.R. 473 (Bankr. S.D.N.Y. 2007).

V. Publicly-Available Documents

Becker B, Campello M, Thell V, Yan D, "Credit risk, debt overhang and the life cycle of callable bonds," Review of Finance, 28-3, May 2024. Available at: https://academic.oup.com/rof/article/28/3/945/7513168.

CFTC appendix on NDFs, https://www.cftc.gov/sites/default/files/filings/ptc/15/02/ptc022615tradsef003.pdf.

26 CFR 1.446-3, available at 26 CFR § 1.446-3 - Notional principal contracts. | Electronic Code of Federal Regulations (e-CFR) | US Law | LII / Legal Information Institute (cornell.edu).

"Mallinckrodt plc Begins Trading on New York Stock Exchange," July 1, 2013, Business Wire. Available at https://www.mallinckrodt.com/about/news-and-media/news-detail/?id=6976.

Covidien plc Form 8-K dated June 4, 2009.

Covidien plc Form 8-K, dated June 28, 2013.

Covidien plc Form 10-K for the fiscal year ended September 27, 2013.

Medtronic, Inc. Form 8-K and attached Exhibit 2.1, dated June 15, 2014.

Covidien Form 10-K for the fiscal year ended September 26, 2014.

Medtronic, Inc. Form 8-K dated January 26, 2015.

Medtronic plc Form 8-K dated March 31, 2016.

Medtronic plc Form 8-K dated February 20, 2019.

Medtronic plc Form 8-K dated June 24, 2019.

Section 402 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

APPENDIX C:
QIMONDA INDENTURE

TRUST INDENTURE

Dated as of January 1, 2000

between

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

As Issuer

and

SUNTRUST BANK, A GEORGIA BANKING CORPORATION TRADING AS CRESTAR BANK

As Trustee

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TRUST INDENTURE

THIS TRUST INDENTURE is entered into as of January 1, 2000, by and between the Economic Development Authority of Henrico County, Virginia, a political subdivision of the Commonwealth of Virginia (the "Issuer"), and SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, having a principal corporate trust office in the City of Richmond, Virginia and being qualified to accept and administer the trusts hereby created (the "Trustee"),

WITNESSETH:

WHEREAS, Title 15.2, Chapter 49 of the Virginia Code of 1950, as amended (the "Act"), authorizes the Issuer to issue revenue bonds;

WHEREAS, a Financing Agreement, dated as of January 1, 2000 (the "Agreement"), relating to the Bonds has been executed between the Issuer and White Oak Semiconductor Limited Partnership, a Delaware limited partnership (the "Company");

WHEREAS, on January 13, 2000, the Board of Directors of the Issuer duly adopted a resolution (together with any amendment or supplement to such resolution as authorized therein, the "Bond Resolution") authorizing the transactions contemplated by this Trust Indenture;

WHEREAS, the Bond Resolution authorized the issuance of Economic Development Authority of Henrico County, Virginia, Exempt Facility Revenue Refunding Bonds (White Oak Semiconductor Limited Partnership Project), Series 2000, from time to time in the aggregate principal amount of $33,688,000 (the "Bonds");

WHEREAS, the proceeds of the Bonds shall be used to refund, on February 1, 2000, the outstanding principal balance of the Issuer's Exempt Facility Revenue Bonds (White Oak Semiconductor Partnership Project), Series 1997A and Series 1997B (collectively, the "Prior Bonds");

WHEREAS, the Bonds and the interest thereon are and shall be payable from and secured by a first and superior lien on and pledge of the payments designated as "Debt Service Payments" to be made by the Company pursuant to the Agreement in amounts sufficient to provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees, expenses and indemnities of the Trustee and any paying agent for the Bonds;

WHEREAS, the Company has caused to be delivered to the Trustee an irrevocable letter of credit issued by Citibank, N.A., in an amount equal to the principal amount of the Bonds plus an amount equal to 45 days' interest on the Bonds computed at an assumed maximum rate of 10% per annum and expiring on January 27, 2001 but subject to automatic annual extensions;

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms herein set forth; and

WHEREAS, all things necessary to make the Bonds, when issued as provided in this Indenture, the legal, valid and binding limited obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid assignment of the amounts pledged to the payment of the principal and Purchase Price of, premium, if any, and interest on the Bonds have been done and performed, and the creation, execution and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, in all respects have been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Issuer in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the mutual covenants herein contained and the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, intending to be legally bound and in order to secure the payment of the principal of, and interest and premium, if any, and, to the extent provided herein, Purchase Price of the Bonds according to their tenor and effect, and the performance and observance by the Issuer of all the covenants and conditions herein and therein contained (a) has executed and delivered this Indenture and (b) has agreed to sell, assign, transfer, set over and pledge, and by these presents does hereby sell, assign, transfer, set over and pledge unto the Trustee, and to its successors in trust and its assigns forever, to the extent provided in this Indenture, all of the right, title and interest (but not the obligations) of the Issuer in and to (i) the Agreement (except for the Purchase Price Payments, the Administrative Expenses and the indemnification rights and Issuer expense reimbursement rights contained in the Agreement), and (ii) the Pledged Revenues consisting of (a) the Debt Service Payments, (b) amounts (other than amounts required to be deposited in the Rebate Fund) on deposit in the Debt Service Fund and the Refunding Fund as hereinafter defined in this Indenture provided and (c) any money paid to the Trustee under the Letter of Credit; provided, however, that nothing in the Bonds or in this Indenture shall be construed as pledging the general credit or taxing power of the Issuer, the State or any political subdivision or agency of the State, nor shall this Indenture or the Bonds give rise to a pecuniary liability of the Issuer;

TO HAVE AND TO HOLD the same and any other revenues, property, contracts or contract rights, chattel paper, instruments, general intangibles or other rights, and the proceeds thereof, which may by delivery, assignment or otherwise be subject to the lien and security interest created by this Indenture;

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth for the equal and ratable benefit and security of those who shall hold or own the Bonds issued hereunder, or any of them, without preference of any one Bond over any other Bond by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, except as otherwise provided herein.

IT IS HEREBY COVENANTED, declared and agreed by and between the parties hereto, that all Bonds are to be issued, authenticated and delivered and that all property subject or to become subject hereto, including the Pledged Revenues, is to be held and applied upon and subject to the further covenants, conditions, uses and trusts hereinafter set forth; and the Issuer,

for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in trust, for the benefit of those who shall hold the Bonds, or any of them, as follows:

ARTICLE I

DEFINITIONS

The following terms have the meanings set forth in the recitals hereto:

Act	Issuer
Bond Resolution	Prior Bonds
Bonds	Trustee
Company	

In addition, unless the context requires otherwise, the following terms shall have the following meanings:

"Administrative Expenses" means fees, expenses and indemnities of the Trustee and the Issuer.

"Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with the Company as certified to the Trustee and the Remarketing Agent by the Company, and "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. In addition, the term "Affiliate" shall also include (i) any general partner of the Company and (ii) any Person who has guaranteed the payment of the Company's obligations under the Agreement or the Reimbursement Agreement.

"Agreement" means the Financing Agreement dated as of January 1, 2000, between the Issuer and the Company as the same may be amended or supplemented from time to time to the extent permitted hereby.

"Authorized Company Representative" means any person or persons at the time designated to act on behalf of the Company by a written certificate, signed on behalf of the Company by any one of its officers or authorized representatives and furnished to the Trustee, containing the specimen signature of each such person.

"Bank" means, initially, Citibank, N.A., a national banking association, as issuer of the Letter of Credit, and its successors and assigns in that capacity and, in the event an Alternate Letter of Credit is outstanding, the issuer of the Alternate Letter of Credit.

"Bankruptcy Code" means Title 11 of the United States Code, as amended, or any successor statutory provisions.

"Bond Counsel" means nationally recognized bond counsel selected by the Company and acceptable to the Issuer and the Trustee.

"Bond Documents" means the Financing Documents and all other agreements, certificates, documents and instruments delivered in connection with any of the Financing Documents.

"Bond Obligations" means (a) the Debt Service due and payable and to become due and payable and any other amounts which may be owed by the Company to, or on behalf of, the Issuer or the Trustee under the Bond Documents, (b) Purchase Price Payments and (c) the Rebate Amount.

"Bond Purchase Fund" means the special fund of that name created pursuant to Section 4.06 hereof.

"Bonds" means the Issuer's Exempt Facility Revenue Refunding Bonds (White Oak Semiconductor Limited Partnership Project), Series 2000 issued under the terms of this Indenture.

"Bond Year" means the period as defined in Section 1.148-1(b) of the Regulations or the applicable definition contained in any successor provisions thereto.

"Business Day" means a day (i) other than a day on which banks located in the State, the City of Richmond, Virginia or the city in which the principal office of the Trustee or the office of the Bank at which drawing documents are required to be presented under the Letter of Credit is located are required or authorized to close and (ii) on which the New York Stock Exchange is not closed.

"Calculation Date" means the date as of which the calculation of the Rebate Amount is made, which date shall be the last day of each Bond Year and the date upon which the last Bond is actually paid and retired.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means White Oak Semiconductor Limited Partnership, a Delaware limited partnership, and its permitted successors and assigns.

"Company Bonds" means any Bonds, the ownership of which is registered in the name of the Company or any Affiliate.

"Company Purchase Account" means the special account of that name within the Bond Purchase Fund established pursuant to Section 4.06 hereof.

"Conversion Date" means the day on which a particular type of interest rate becomes effective for the Bonds which is not immediately preceded by a day on which the Bonds accrued interest at the same type of rate (and, when used with respect to any Term Rate Period, a date which is not preceded by a Term Rate Period of the same duration). Each Conversion Date must be on an Interest Payment Date for the Rate Period from which the Bonds are converted.

"County" means the County of Henrico, Virginia.

"Daily Rate" means the interest rate to be determined for the Bonds on each Business Day pursuant to Section 3.02(c) hereof.

"Daily Rate Conversion Date" means the day on which the Bonds accrue interest at a Daily Rate pursuant to Section 3.03 which is immediately preceded by a day on which the Bonds did not accrue interest at a Daily Rate.

"Daily Rate Period" means each period during which the Bonds accrue interest at a particular Daily Rate.

"Debt Service" means the principal of and premium, if any, and interest on the Bonds.

"Debt Service Fund" means the special fund of that name created pursuant to Section 6.01 hereof.

"Debt Service Payments" means the payments required to be made by the Company to amortize the Bonds, as provided for in this Indenture and in Section 4.2(a) of the Agreement, including the principal of, premium, if any, and interest on the Bonds when due (whether at stated maturity, upon redemption prior to stated maturity, or upon acceleration of stated maturity); provided, however, Debt Service Payments do not include Purchase Price Payments.

"Delivery" or **"deliver,"** when used with respect to Bonds held in the book-entry system pursuant to Section 2.11 hereof, means the making of or the irrevocable authorization to make appropriate entries on the books of DTC or any Participant.

"Determination of Taxability" means a Final Determination by the Internal Revenue Service or by a court of competent jurisdiction in the United States that, or an opinion of Bond Counsel obtained by the Company to the effect that, as a result of failure by the Company to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Agreement or as a result of the inaccuracy of any representation made by the Company under the Agreement, the interest payable on any Bond is includable in the gross income of the owner thereof for federal income tax purposes (other than an owner who is a "substantial user" or "related person" within the meaning of Section 147(a) of the Code).

"DTC" means The Depository Trust Company, New York, New York.

"Electronic" or "Electronically" notice means notice through a time sharing terminal.

"Event of Bankruptcy" means the filing of a petition in bankruptcy or the commencement of a proceeding under the Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the Company, the general partner of the Company as debtor other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order and without effect on any amounts

held in the Debt Service Fund or the Bond Purchase Fund and as to which dismissal all appeal periods have expired.

"Event of Default" means any of the events described in Section 11.01 hereof.

"Excess Earnings" shall have the meaning given to such term in Section 6.04 hereof.

"Expiration Date" means the stated expiration date of the Letter of Credit, as such date may be extended from time to time.

"Extraordinary Optional Redemption" means any redemption of Bonds made pursuant to Section 9.01(c) hereof.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel addressed to the Issuer, the Company and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Act and by this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income of the beneficial owners thereof for federal income tax purposes.

"Final Determination" means, with respect to a private letter ruling or a technical advice memorandum of the Internal Revenue Service, written notice thereof in a proceeding in which the Company had an opportunity to participate and otherwise means written notice of a determination from which no further right of appeal exists or from which no appeal is timely filed with any court of competent jurisdiction in the United States in a proceeding to which the Company was a party or in which the Company had the opportunity to participate.

"Financing Documents" means this Indenture, the Agreement and the Bonds.

"Flexible Rate" means, when used with respect to any particular Bond, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to Section 3.02(b) hereof.

"Flexible Rate Conversion Date" means each day on which the Bonds accrue interest at Flexible Rates which is immediately preceded by a day on which the Bonds did not accrue interest at Flexible Rates.

"Flexible Rate Period" means each period during which a Bond accrues interest at a Flexible Rate.

"Fund" means any of the funds established with the Trustee under this Indenture.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Gross Proceeds" means (i) the net amount (after payment of all expenses of issuing the Bonds) received by the Issuer as a result of the sale of the Bonds, (ii) amounts received at any time, such as dividends and interest, resulting from the investment of any proceeds of the Bonds

in Nonpurpose Investments and amounts received as interest or otherwise received with respect to the Agreement, (iii) transferred proceeds as defined in Section 148 of the Code, (iv) amounts held in the Debt Service Fund, or any similar fund, to the extent that it is reasonably expected that such fund will be used to pay Debt Service, (v) amounts invested in a reasonably required reserve or replacement fund (as defined in Section 148 of the Code), (vi) securities or obligations pledged as security for payment of Debt Service by the Company (or a "related person" as such term is defined in Section 147(a) of the Code) or the Issuer, (vii) other amounts used to pay Debt Service, and (viii) other amounts received as a result of investing any of the foregoing; provided, however, that if the aggregate gross earnings (including investment income on the earnings) on amounts held in one or more bona fide debt service funds (as such term is defined in the Regulations) do not exceed $100,000 in a Bond Year, such gross earnings will not be treated as Gross Proceeds.

"Income Amount" means, in the case of any Bond Year as of which the Excess Earnings amount is positive, that amount of income which is attributable to the lesser of (a) the Excess Earnings as of the Calculation Date for that Bond Year, or (b) the amount by which the Excess Earnings as of the Calculation Date in question exceeds the Excess Earnings as of the Calculation Date for the preceding Bond Year, but only to the extent that such income is earned from the close of the Bond Year in question to the date of transfer of amounts to the Rebate Fund required by Section 6.04 hereof.

"Indenture" means this Indenture as amended or supplemented at the time in question.

"Interest Payment Date" means (a) the maturity date of the Bonds; (b) when used with respect to any particular Bond accruing interest at a Flexible Rate, the day after the last day of each Flexible Rate Period applicable thereto; (c) when used with respect to Bonds accruing interest at Daily or Weekly Rates, the first Business Day of each calendar month following a month in which interest at such rate has accrued; and (d) when used with respect to Bonds accruing interest at a Term Rate, each April 1 and October 1, except that the last Interest Payment Date for any Term Rate Period which is followed by a Flexible, Daily or Weekly Rate Period shall be the first Business Day of the sixth month following the preceding Interest Payment Date; provided that in the event of a conversion from a Term Rate Period on a date on which the Bonds are subject to redemption pursuant to Section 9.01(a) hereof, such date shall be an Interest Payment Date.

"Interest Period" or **"Interest Rate Period"** means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

"Interest Rate" means a Flexible, Daily, Weekly or Term Rate.

"Investment Company" means any investment company registered under the Investment Company Act of 1940, as amended.

"Investment Securities" means and includes any of the following securities on which neither the Company nor any of its subsidiaries is the obligor: (a) direct obligations of, or

obligations guaranteed by, the United States of America, and any bonds or other obligations of the Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks; (b) any obligation secured by a pooling of one or more of the foregoing; (c) obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia as described in Section 103(a) of the Code which are rated by two nationally recognized rating agencies in any of their three highest rating categories or any obligation secured by a pooling of one or more of such obligations; (d) banker's acceptances, Eurodollar deposits, certificates of deposit or interest accruing demand deposits of banks or trust companies (including the Trustee) organized under the laws of the United States or Canada or any state or province thereof, or domestic branches of foreign banks, having a capital and surplus of $25,000,000 or more; (e) other corporate securities rated A or better (or in the case of commercial paper, A-1 or better) by Standard & Poor's Ratings Group or rated equivalently by Moody's Investors Service, Inc. or by another nationally recognized rating service; (f) money market funds invested solely in the obligations described in (a) through (e) above; and (g) any money market fund which the Trustee or an affiliate of the Trustee serves as an investment manager or advisor.

"Issue Date" means the date of first authentication and delivery of Bonds.

"Issuer Representative" means the Chairman, Vice Chairman, Secretary, Assistant Secretary and any such other officer or employee of the Issuer as shall be appointed by the Issuer to serve in such capacity. In each case, a specimen signature of such individual shall be given to the Trustee, certified by the Secretary of the Issuer.

"Letter of Credit" means the irrevocable letter of credit issued by the Bank to the Trustee on the date of execution and delivery of this Indenture and any replacement, substitute or alternate Letter of Credit delivered pursuant to Article VII hereof.

"Letter of Credit Debt Service Account" means the special account of that name within the Debt Service Fund established pursuant to Section 6.01 hereof.

"Letter of Credit Purchase Account" means the special account of that name within the Bond Purchase Fund established pursuant to Section 4.06 hereof.

"Letter of Representations" means the blanket letter agreement between DTC and the Issuer entered into in connection with DTC's book-entry only system.

"Maximum Rate" means ten percent (10%) per annum.

"Nonpurpose Investment" means any obligation acquired with Gross Proceeds, within the meaning of Section 148(b)(2) of the Code.

"Optional Redemption" means any redemption of Bonds made pursuant to Section 9.01(a) hereof.

"Outstanding" when used with reference to Bonds means all Bonds authenticated and delivered under this Indenture as of the time in question, except:

(a) All Bonds theretofore canceled or required to be canceled under Section 2.09 hereof;

(b) On or after any purchase date for Bonds pursuant to Article IV hereof, all Bonds (or portions of Bonds) which are tendered or deemed to have been tendered for purchase on such date, provided that funds sufficient for such purchase are on deposit with the Trustee or any Paying Agent;

(c) Bonds for the payment or redemption of which provision has been made in accordance with Section 9.04 or Article XVI hereof; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or irrevocable instructions therefor shall have been given to the Trustee; and

(d) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Registered Owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Company (unless all of the Outstanding Bonds are then owned by or on behalf of the Company) or an "Affiliate" of the Company and Bonds which are held by or on behalf of the Bank (unless all of the Outstanding Bonds are then held by or on behalf of the Bank) shall be disregarded for the purpose of any such determination and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid and shall be deemed Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or an Affiliate of the Company. Bonds held by the Remarketing Agent shall not be deemed to be held on behalf of the Company for the purpose of this paragraph unless held by the Remarketing Agent as agent for the Company.

"Owner" when all Bonds are held by a securities depository, means the beneficial owner of the Bond in question determined under the rules of that securities depository; otherwise "Owner" means "Registered Owner."

"Participant" means (i) any person for which, from time to time, DTC effectuates book-entry transfers and pledges of securities pursuant to the book-entry system referred to in Section 2.11 hereof or (ii) any securities broker or dealer, bank, trust company or other person that clears through or maintains a custodial relationship with a person referred to in (i).

"Paying Agent" means SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, as paying agent, or any successor paying agent, appointed pursuant to Article XII hereof. The principal office of the Paying Agent shall be the business address designated in writing to the Issuer and the Remarketing Agent as its principal office for its duties as Paying Agent hereunder.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

"Plant" means the Company's fully integrated microelectronics device manufacturing facility located in Henrico County, Virginia.

"Pledged Bonds" shall have the meaning assigned to such term in Section 4.03(b)(v) hereof.

"Pledged Revenues" means and includes all payments by or on behalf of the Company under the Agreement, including specifically the Debt Service Payments and other monies received under the Agreement to be paid into the Debt Service Fund and any money paid to the Trustee under the Letter of Credit, including the income thereon and the investment thereof, if any. Pledged Revenues do not include (i) payments with respect to the indemnification or reimbursement of certain expenses of the Issuer, the Trustee and the Remarketing Agent under Sections 4.2(b), 4.2(c), 6.2 and 7.5 of the Agreement or under any other guaranty or indemnification agreement, (ii) any monies required to be deposited in the Rebate Fund or (iii) Purchase Price Payments and other monies required to be deposited in the Bond Purchase Fund.

"Principal Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of execution of this Indenture is located at SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, 919 East Main Street, Richmond, Virginia 23219, Attention: Corporate Trust Administration.

"Prior Bonds Trustee" means SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, a Virginia banking corporation, as trustee for the Prior Bonds.

"Project" means the sewage and solid waste disposal facilities more particularly described in the Tax Compliance Agreement and all replacements, improvements, extensions, substitutions, restoration or additions made to the aforesaid facilities pursuant to the Agreement.

"Purchase Price" for any Bond shall equal 100% of the principal amount of such Bond plus accrued interest, if any, plus in the case of a Bond subject to mandatory tender for purchase pursuant to Section 4.02(a) or (b) hereof on a date when such Bond is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Bond if redeemed on such date.

"Purchase Price Payments" means the payments to be made by the Company pursuant to Section 4.03(a) of the Agreement to pay the Purchase Price of Bonds.

"Rate Period" means the period during which a particular rate of interest determined for the Bonds is to remain in effect pursuant to Article III hereof.

"Rating Service" means Moody's Investors Service, if the Bonds are rated by such at the time, and Standard & Poor's Ratings Group, if the Bonds are rated by such at the time, and their successors and assigns, or if either shall be dissolved or no longer assigning credit ratings to long term debt, then any other nationally recognized entity assigning credit ratings to long term debt designated by the Issuer with notice to the Trustee.

"Rebate Amount" means, as of any Calculation Date, (a) the Excess Earnings amount less (b) the amount previously paid to the United States of America as part of the Rebate Amount.

"Rebate Fund" means the special fund of that name created pursuant to Section 6.01 hereof.

"Refunding Fund" means the special fund of that name created pursuant to 6.01 hereof.

"Registered Owner" means the Person in whose name any Bond is registered pursuant to Article II hereof.

"Regular Record Date" means the close of business on either (a) the day (whether or not a Business Day) immediately preceding an Interest Payment Date in the case of Bonds accruing interest at Flexible, Daily or Weekly Rates or (b) the 15th day (whether or not a Business Day) of the calendar month immediately preceding the Interest Payment Date in the case of Bonds accruing interest at Term Rates.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code, as such regulations may be amended or supplemented from time to time.

"Reimbursement Agreement" means the Application and Agreement between the Company's parent corporation and the Bank relating to the Letter of Credit and the Bonds, as amended, supplemented or replaced from time to time.

"Remarketing Account" means the special account of that name within the Bond Purchase Fund established pursuant to Section 4.06 hereof.

"Remarketing Agent" means Goldman, Sachs & Co., or any successor Remarketing Agent appointed pursuant to Article XIV hereof.

"Remarketing Agreement" means any remarketing agreement executed by the Company and the Remarketing Agent pursuant to Article XIII hereof.

"Responsible Officer" means any officer assigned to the principal corporate trust office of the Trustee, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Securities Depository" means any "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

"Special Mandatory Redemption" means any redemption of Bonds made pursuant to Section 9.01(b) hereof.

"Special Record Date" means the date and time established by the Trustee for determination of which Registered Owners shall be entitled to receive overdue interest on the Bonds pursuant to Section 2.07(b)(iii) hereof.

"State" means the Commonwealth of Virginia.

"Supplemental Indenture" or **"indenture supplemental hereto"** means any indenture amending or supplementing this Indenture which may be entered into in accordance with the provisions of this Indenture.

"Tax Compliance Agreement" means the Tax Compliance Agreement, dated January 28, 2000, between the Company and the Issuer, as amended, supplemented or replaced from time to time.

"TBMA Municipal Swap Index" means The Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then "TBMA Municipal Swap Index" shall mean such other reasonably comparable index selected by the Company.

"Term Rate" means the interest rate to be determined for the Bonds for a term of one or more years pursuant to Section 3.02(e) hereof.

"Term Rate Conversion Date" means each day on which the Bonds accrue interest at a Term Rate pursuant to Section 3.03 hereof which is immediately preceded by a day on which the Bonds did not accrue interest at a Term Rate or accrued interest at a Term Rate for a Term Rate Period of different duration.

"Term Rate Period" means each period during which the Bonds accrue interest at a particular Term Rate.

"Trustee" means SunTrust Bank, a Georgia banking corporation trading as Crestar Bank, as trustee, or any successor trustee, appointed pursuant to Article XI hereof. The principal office of the Trustee shall be the business address designated in writing to the Issuer and the Remarketing Agent as its principal office for its duties as Trustee hereunder.

"Underwriting Agreement" means the Underwriting Agreement among the Issuer, the Company and Goldman, Sachs & Co., in its capacity as the underwriter of the Bonds.

"Weekly Rate" means the interest rate to be determined for the Bonds on a weekly basis pursuant to Section 3.02(d) hereof.

"Weekly Rate Conversion Date" means each day on which the Bonds accrue interest at a Weekly Rate pursuant to Section 3.03 hereof which is immediately preceded by a day on which the Bonds did not accrue interest at a Weekly Rate.

"Weekly Rate Period" means the period during which the Bonds accrue interest at a particular Weekly Rate.

"Yield" means yield as determined in accordance with Section 148(h) of the Code.

The words "hereof," "herein," "hereto," "hereby," and "hereunder" (except in the form of Bond) refer to the entire Indenture. All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa, and all words and terms used in this Indenture and not defined herein shall, if defined in the Agreement, have the meaning set forth therein.

ARTICLE II

THE BONDS

Section 2.01. **Issuance of Bonds**. Upon the execution and delivery hereof, the Issuer shall execute the Bonds in the aggregate principal amount of $33,688,000 and deliver the Bonds to the Trustee for authentication. At the direction of the Issuer, the Trustee shall deliver the Bonds to the purchasers thereof identified in such direction upon receipt by the Trustee of the amount due the Issuer for the initial delivery of the Bonds as set forth in such direction.

Section 2.02. **Form and Denominations of Bonds; Bonds as Limited Obligation of Issuer**.

(a) Form and Authorized Denominations. All Bonds shall be issued as fully registered bonds dated as of the Issue Date and shall mature on October 1, 2027. The Bonds shall be in substantially the form attached hereto as Exhibit A. In authenticating

the Bonds, the Trustee may add the actual date of its authentication of Bonds. All Bonds accruing interest at Daily, Weekly or Flexible Rates shall be issued in denominations of $100,000 and integral multiples of $1,000 in excess thereof. All Bonds accruing interest at a Term Rate shall be in denominations of $5,000 or whole multiples thereof. Bonds shall be numbered consecutively upward from R-1.

(b) LIMITED OBLIGATIONS OF ISSUER. THE BONDS AND THE PREMIUM, IF ANY, AND THE INTEREST ON THEM WILL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS INCLUDING THE ISSUER AND THE COUNTY. NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER AND THE COUNTY, IS OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT TO THEM EXCEPT FROM REVENUES PLEDGED FOR SUCH PURPOSE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER AND THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT TO THEM. THE ISSUER HAS NO TAXING POWER.

Section 2.03. Execution. The Bonds shall be executed by the manual or facsimile signature of the Chairman or Vice Chairman of the Issuer, and its seal thereon (which may be in facsimile) shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. The validity of any Bond so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such Bond have ceased to hold office at the time of issuance or authentication or at any time thereafter.

Section 2.04. Authentication. No Bonds shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized signatory of the Trustee. Such authentication shall be proof that the Registered Owner is entitled to the benefit of the trusts hereby created.

Section 2.05. Registration, Transfer and Exchange.

(a) The ownership of each Bond shall be recorded in the registration books of the Issuer, which books shall be kept by the Trustee, acting as bond registrar, at its principal office, and shall contain such information as is necessary for the proper discharge of the duties of the Trustee hereunder.

(b) Bonds may be transferred or exchanged as follows:

(i) Any Bond may be transferred if duly endorsed for such transfer or accompanied by an instrument of transfer in form satisfactory to the Trustee, duly executed by the Registered Owner or his attorney duly authorized in writing and

delivered by such Registered Owner or his duly appointed attorney to the Trustee, whereupon the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds and in the same denominations as the Bond delivered for transfer or in different authorized denominations equal in the aggregate to the principal amount of the delivered Bond.

(ii) Any Bond or Bonds may be exchanged for one or more Bonds and in the same aggregate principal amount and accruing interest at the same Interest Rate mode, but in a different authorized denomination or denominations if duly endorsed or accompanied by an instrument of transfer in form satisfactory to the Trustee, duly executed by the Registered Owner or his attorney duly authorized in writing. Each Bond so to be exchanged shall be delivered by the Registered Owner thereof or his duly appointed attorney to the Trustee, whereupon a new Bond or Bonds shall be authenticated and delivered to the Registered Owner.

(iii) In the case of any Bond properly delivered for partial redemption, the Trustee shall authenticate and deliver a new Bond in exchange therefor, such new Bond to be in a denomination equal to the unredeemed principal amount of the delivered Bond.

Except as provided in subparagraph (iii) above or in Article IV hereof, the Trustee shall not be required to effect any transfer or exchange during the 15 days immediately preceding the date of mailing of any notice of redemption or at any time following the mailing of any such notice in the case of Bonds selected for such redemption. No charge shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto. No transfers or exchanges shall be valid for any purposes hereunder except as provided above and in Article IV hereof.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Bonds.

(a) If any Bond is mutilated, lost, stolen or destroyed, the Registered Owner thereof shall be entitled to the issuance of a substitute Bond provided that:

(i) in all cases, the Registered Owner may be required by the Issuer, the Company or the Trustee to provide indemnity to the Issuer, the Company and the Trustee in a form acceptable to the Trustee against any and all claims arising out of or otherwise related to the issuance of substitute Bonds pursuant to this Section;

(ii) in the case of a mutilated Bond the Registered Owner shall deliver the Bond to the Trustee for cancellation; and

(iii) in the case of a lost, stolen or destroyed Bond, the Registered Owner shall provide evidence, satisfactory to the Trustee, of the ownership and the loss, theft or destruction of the affected Bond.

Upon compliance with the foregoing, a new Bond of like tenor and denomination, executed by the Issuer, shall be authenticated by the Trustee and delivered to the Registered Owner, all at the expense of the Registered Owner to whom the substitute Bond is delivered. Notwithstanding the foregoing, the Trustee shall not be required to authenticate and deliver any substitute for a Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price then due and accrued interest thereon or becoming due shall be paid by the Trustee in accordance with the terms of the mutilated, lost, stolen or destroyed Bond without substitution therefor.

(b) Every substituted Bond issued pursuant to this Section 2.06 shall constitute an additional contractual obligation of the Issuer, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

(c) All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, unless expressly inconsistent with any law or statute existing or hereafter enacted with respect to the replacement or payment of negotiable instruments, investments or other securities without their delivery.

Section 2.07. Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto.

(a) The principal or redemption price of each Bond shall be payable when due in immediately available funds upon delivery of such Bond to the Trustee at its Principal Office to the Registered Owner of the Bond so delivered, as shown on the registration books maintained by the Trustee on the date of payment.

(b) Subject to the further provisions of Article III hereof, each Bond shall accrue interest and be payable as to interest as follows:

(i) Each Bond shall accrue interest (at the applicable rate determined pursuant to Article III hereof) (A) from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid or duly provided for, or (B) from the last preceding Interest Payment Date to which interest has been paid in full or duly provided for (or the Issue Date if no interest thereon has been paid or duly provided for) in all other cases.

(ii) Subject to the provisions of subparagraph (iii) below, the interest due on any Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the registration books kept by the Trustee as of the Regular Record Date. The amount of interest so payable on any Interest Payment Date shall be computed (A) on the basis of a 365- or 366-day year for the number

of days actually elapsed during Daily Rate Periods, (B) on the basis of a 365- or 366-day year for the number of days actually elapsed based on the calendar year in which the Flexible or Weekly Rate Period commences, during Weekly or Flexible Rate Periods, and (C) on the basis of a 360-day year of twelve 30-day months during Term Rate Periods.

(iii) If the available funds under this Indenture are insufficient on any Interest Payment Date to pay the interest then due, the Regular Record Date shall no longer be applicable with respect to the Bonds. If funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a special interest payment date for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Registered Owners entitled to such payments. Notice of such Special Record Date shall be mailed by the Trustee to each Registered Owner promptly after the determination of such Special Record Date, but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Registered Owners, as shown on the registration books kept by the Trustee as of the close of business on the Special Record Date.

(iv) All payments of interest on the Bonds shall be paid to the Registered Owners entitled thereto in immediately available funds by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Trustee as directed by the Registered Owner in writing or as otherwise directed in writing by the Registered Owner prior to the time of payment with respect to Bonds accruing interest at a Flexible Rate or five Business Days prior to the Interest Payment Date with respect to Bonds accruing interest at Daily or Weekly Rates.

(v) Interest accrued during any Flexible Rate Period or due at the maturity or redemption of the Bonds shall be paid only upon presentation and surrender of Bonds.

Section 2.08. Temporary Bonds. The Issuer may issue, in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in authorized denominations, of substantially the tenor recited above. At the request of the Issuer, the Trustee shall authenticate definitive Bonds, which may be typewritten or printed, in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds. Temporary Bonds shall be numbered consecutively upward from TR-1.

Section 2.09. Cancellation and Disposition of Surrendered Bonds. The Trustee shall cancel (a) all Bonds surrendered for transfer or exchange, for payment at maturity or for redemption, and (b) all Bonds purchased at the direction of the Company and surrendered to the Trustee for cancellation, and the Trustee shall dispose of such Bonds in accordance with the Trustee's document retention policies. The Trustee shall deliver to the Issuer a certificate of

cancellation or disposition in respect of all Bonds canceled or disposed of in accordance with this Section.

Section 2.10. Act of Registered Owners; Evidence of Ownership. Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Registered Owners in person or by an agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution or by any other method satisfactory to the Trustee if the Trustee deems the same to be necessary. Any action by the Registered Owner of any Bond shall bind all future Registered Owners of the same Bond or of any Bond issued upon the exchange or registration of transfer thereof in respect of anything done or suffered by the Issuer or the Trustee in pursuance thereof.

Section 2.11. Book Entry System.

(a) DTC will act as securities depository (the "Securities Depository") for the Bonds. The Bonds shall be initially issued in the form of a single fully registered Bond registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to Registered Owners, Bondholders or holders of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds.

(b) The interest of each of the beneficial owners of the Bonds will be recorded through the records of a DTC Participant. Transfers of beneficial ownership interests in the Bonds which are registered in the name of Cede & Co. will be accompanied by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the beneficial owners of the Bonds.

(c) With respect to Bonds registered in the name of Cede & Co. as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Indenture. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the registration books of the Issuer maintained by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the registration books of any amount with respect to principal of, premium, if any, Purchase Price or interest on, the Bonds.

(d) Notwithstanding any other provisions of this Indenture to the contrary, the Issuer, the Bond Registrar and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the registration books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, Purchase Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to

such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, Purchase Price, and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the registration books as provided in this Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, Purchase Price, and interest on, the Bonds to the extent of the sum or sums so paid.

(e) No person other than a Registered Owner, as shown in the registration books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, pursuant to this Indenture.

(f) Any provision of this Indenture permitting or requiring the delivery of Bonds shall, while the book-entry system is in effect, be satisfied by the notation on the books of DTC or a DTC Participant, if applicable, of the transfer of the beneficial owner's interest in such Bond.

(g) So long as the book-entry system is in effect, the Trustee and the Paying Agent shall comply with the terms of the Letter of Representations.

(h) DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving written notice and all relevant information on the beneficial owners of the Bonds to the Issuer, the Company and the Trustee and discharging its responsibilities with respect thereto under applicable law. If there is no successor Securities Depository appointed by the Issuer, the Trustee shall authenticate and deliver Bonds to the beneficial owners thereof. The Issuer may determine not to continue participation in the system of book entry transfers through DTC (or a successor Securities Depository) at any time by giving reasonable written notice to DTC (or a successor Securities Depository) and the Trustee. In such event, the Issuer shall execute and deliver to the Trustee, and the Trustee shall authenticate and deliver the Bonds to the beneficial owners thereof identified by DTC.

Section 2.12. Payments to Cede & Co.; Payments to Beneficial Owners.

(a) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, Purchase Price, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, pursuant to DTC's rules and procedures.

(b) Payments by the DTC Participants to beneficial owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Trustee or the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

ARTICLE III

INTEREST RATES ON BONDS

Section 3.01. **Interest Rate**. All Bonds shall accrue interest at Weekly Rates on the date of original issuance and thereafter at Weekly Rates unless and until the Rate Period for the Bonds is converted to a different Rate Period pursuant to Section 3.03. So long as a Letter of Credit is in effect, the interest rate borne by the Bonds shall not exceed the Maximum Rate.

Section 3.02. **Determination of Interest Rates**.

(a) Determination by Remarketing Agent.

(i) The Interest Rate shall be determined by the Remarketing Agent as the rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value as of the date of determination equal to the principal amount thereof, taking into account prevailing market conditions; provided that so long as a Letter of Credit is in place, the interest rate borne by the Bonds shall not exceed the Maximum Rate. With respect to Flexible Rates, the Remarketing Agent shall determine the Flexible Rate and the Flexible Rate Period for each Bond at such rate and for such period as it deems advisable in order to minimize the net interest cost on the Bonds, taking into account prevailing market conditions.

(ii) In the event the Remarketing Agent fails for any reason to determine or notify the Trustee of the Interest Rate for any Rate Period:

(A) The Interest Rate then in effect for Bonds that accrue interest at Daily Rates will remain in effect from day to day until the Trustee is notified of a new Daily Rate determined by the Remarketing Agent.

(B) The Interest Rate then in effect for Bonds that accrue interest at Weekly Rates will remain in effect from week to week until the Trustee is notified of a new Weekly Rate determined by the Remarketing Agent.

(C) The Interest Rate for any Bond that accrues interest at Flexible Rates and for which a Flexible Rate and Flexible Rate Period is not determined shall be equal to the rate derived from the TBMA Municipal Swap Index and the Flexible Rate Period for such Bond shall begin on each Business Day and extend through the day preceding the next Business Day, until the Trustee is notified of a new Flexible Rate and Flexible Rate Period determined for such Bond by the Remarketing Agent.

(D) The Interest Rate then in effect for Bonds that accrue interest at the Term Rate will be automatically converted to Flexible Rates with

Flexible Rate Periods beginning on each Business Day and extending through the day preceding the next Business Day until the Trustee is notified of a new Flexible Rate and Flexible Rate Period determined for such Bond by the Remarketing Agent.

(iii) All determinations of Interest Rates pursuant to this Section shall be conclusive and binding upon the Issuer, the Company, the Trustee and the Owners of the Bonds to which such rates are applicable.

(iv) The Interest Rate in effect for Bonds during any Interest Rate Period shall be available to Owners between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent or the Trustee at their principal offices.

(b) Flexible Rates. (i) The Flexible Rate Period for each Bond shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser; provided that if a Letter of Credit is then in effect and such Letter of Credit provides less than 280 days' interest coverage, such period shall not be longer than a period equal to the maximum number of days' interest coverage provided by such Letter of Credit minus 10 days or the Trustee shall not authenticate any Bond for a Flexible Rate Period at a Flexible Rate providing an amount of interest which, when added to the aggregate interest to accrue on all outstanding Flexible Rate Bonds, would exceed the maximum amount available under the Letter of Credit for the payment of interest minus an amount equal to 10 days' maximum interest coverage on all Flexible Rate Bonds. Any Bond may accrue interest at a Flexible Rate for a Flexible Rate Period different from any other Bond. Each Flexible Rate Period shall commence on a Business Day and end on a day immediately preceding a Business Day. The Remarketing Agent shall offer and accept purchase commitments for the Bonds for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Bonds taking into account prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on the Bonds can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 270 days (or such lower number as is permitted above) or, if the Remarketing Agent has given or received notice of any conversion to a Daily, Weekly or Term Rate Period, the remaining number of days prior to the Conversion Date, and if a Letter of Credit is then in effect, no Flexible Rate Period may be established which extends beyond the remaining term of such Letter of Credit minus 10 days.

(ii) Each Flexible Rate and Flexible Rate Period shall be determined not later than 1:00 p.m., New York City time, on the first Business Day of the Flexible Rate Period to which it relates and provided to the Trustee by the Remarketing Agent by written or facsimile notice by 1:00 p.m., New York City time, on that same day. The Trustee will deliver such Bonds to the Remarketing

Agent not later than 2:15 p.m. New York City time on such Business Day against receipt therefor.

(c) Daily Rates. A Daily Rate shall be established for each Daily Rate Period as follows:

(i) Daily Rate Periods shall commence on a Daily Rate Conversion Date which shall be a Business Day and thereafter, prior to the next Conversion Date, on each Business Day thereafter until the Rate Period for the Bonds is converted to another Rate Period and shall extend to, but not include, the next succeeding Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined not later than 10:30 a.m., New York City time, on the first Business Day of the Daily Rate Period to which it relates and provided to the Trustee by the Remarketing Agent by written or facsimile notice by 1:00 p.m., New York City time, on that same day; provided that no notice need be given if the Daily Rate then in effect is to be the Daily Rate for the next Daily Rate Period.

(d) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence on a Wednesday and end on Tuesday of the following week and each Weekly Rate Period shall be followed by another Weekly Rate Period until the Rate Period of the Bonds is converted to another Rate Period; provided that (A) in the case of a conversion to a Weekly Rate Period from a different Rate Period, the Weekly Rate Period shall commence on the Weekly Rate Conversion Date and shall end on Tuesday of the following week; and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date to the new Rate Period.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates and provided to the Trustee by the Remarketing Agent by written or facsimile notice by 12:00 Noon, New York City time, on such Business Day.

(e) Term Rates. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (a) commence on a Term Rate Conversion Date and end on an April 1 or October 1 designated by the Company (or the next Business Day if April 1 or October 1 is not a Business Day and the Term Rate Period is followed by a Daily, Weekly or Flexible Rate Period); provided, that a Term Rate Period may be earlier terminated by the Company on any date on which the Bonds are subject to optional redemption; provided further, that if a Letter of Credit is then in effect, no Term Rate Period shall extend beyond the remaining term of such Letter of Credit minus ten (10) days. Each Term Rate Period shall be followed by another Term Rate Period of the same duration until the Rate Period of the Bonds is converted to another Rate Period or a Term Rate Period of a different duration or until maturity.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period and provided to the Trustee and the Bank (if any) by the Remarketing Agent by written or facsimile notice by the close of business on such Business Day.

Section 3.03. Conversions Between Rate Periods. The Company may elect to convert the Bonds from one Rate Period to another as follows:

(a) Conversion Dates.

(i) If the conversion is from Flexible Rate Periods, the Conversion Date must be a date on which interest is payable on all Bonds accruing interest at Flexible Rates.

(ii) If the conversion is from a Daily or Weekly Rate Period, the Conversion Date must be an Interest Payment Date on which interest is payable for the Daily or Weekly Rate Period from which the conversion is made.

(iii) If the conversion is from a Term Rate Period, the Conversion Date may be any date on which the Bonds are also subject to optional redemption pursuant to Section 9.01(a) hereof.

(b) Notices by Company. The Company shall give written notice of any proposed conversion to the Trustee, the Bank and the Remarketing Agent not fewer than 25 days before the proposed conversion from a Flexible, Daily or Weekly Rate Period and not fewer than 45 days before the proposed conversion from a Term Rate Period.

(c) Notices by Trustee. The Trustee shall give notice by first class mail, of the proposed conversion to the Registered Owners of Bonds accruing interest at Flexible, Daily or Weekly Rates not less than 15 days before the proposed Conversion Date and to Registered Owners of Bonds accruing interest at a Term Rate not less than 30 days before the proposed Conversion Date. Such notice shall state:

(i) the proposed Conversion Date;

(ii) that the Bonds will be subject to mandatory tender for purchase on the Conversion Date (except in the case of conversions between Daily and Weekly Rate Periods);

(iii) the conditions, if any, to the conversion pursuant to subsection (d) below; and

(iv) if the Bonds are in certificated form, information with respect to required delivery of Bond certificates and payment of the Purchase Price.

(d) Conditions to Conversion. No conversion of Rate Periods will become effective unless:

(i) if the conversion is from Flexible Rate Periods, the Trustee has received, prior to the date on which notice of conversion is required to be given to Registered Owners, written confirmation from the Remarketing Agent that it has not established and will not establish any Flexible Rate Periods extending beyond the day before the Conversion Date;

(ii) if the conversion is from Flexible, Daily or Weekly Rate Periods to a Term Rate Period, or from a Term Rate Period to a Flexible, Daily or Weekly Rate Period, the Trustee has been provided, no later than one day before the Conversion Date, with a Favorable Opinion of Bond Counsel with respect to the conversion;

(iii) if a Letter of Credit will be held by the Trustee after the Conversion Date, such Letter of Credit (A) will cover the principal of and interest (computed on the basis of a 365-day year, in the case of conversion to a Flexible, Daily or Weekly Rate Period, and on the basis of a 360-day year consisting of twelve 30-day months, in the case of conversion to a Term Rate Period) which will accrue on the Outstanding Bonds for the maximum permitted period between Interest Payment Dates for the proposed Interest Rate Period plus ten (10) days, and (B) in the case of conversion to a Term Rate Period, (i) extends for a period which shall not end on a date that is earlier than five days after the first date on which the Bonds can be called for optional redemption, and (ii) covers the premium, if any, which would be included in the Purchase Price upon mandatory purchase of the Bonds pursuant to Section 4.02(c) hereof if such Letter of Credit were not extended beyond the Expiration Date set forth therein; and

(iv) if a Letter of Credit is then in effect and the Purchase Price determined under Section 4.02(b) hereof payable on the Conversion Date includes any premium, the Trustee has received, prior to the date on which notice of conversion is required to be given to Registered Owners, written confirmation from the Bank that it can draw under the Letter of Credit on the proposed Conversion Date in an aggregate amount sufficient to

cover such premium due upon mandatory purchase of the Bonds pursuant to Section 4.02(b) hereof.

ARTICLE IV

TENDER AND PURCHASE OF BONDS

Section 4.01. Optional Tenders for Purchase.

(a) Purchase Dates. The Owners or Registered Owners of Bonds accruing interest at Daily, Weekly or Term Rates may elect to have their Bonds (or portions thereof in amounts equal to the lowest denomination then authorized pursuant to Section 2.02 hereof or whole multiples of such lowest denomination) purchased at the Purchase Price on the following purchase dates:

(i) Bonds accruing interest at Daily Rates may be tendered for purchase at a Purchase Price payable in immediately available funds on any Business Day prior to conversion from a Daily Rate Period to a different Rate Period, upon personal, Electronic or telephonic notice of tender given to the Trustee, directly or through the Owner's DTC Participant, not later than 11:00 a.m., New York City time, on the purchase date.

(ii) Bonds accruing interest at Weekly Rates may be tendered for purchase at a Purchase Price payable in immediately available funds on any Business Day prior to conversion from a Weekly Rate Period to a different Rate Period upon written or Electronic notice of tender to the Trustee, directly or through the Owner's DTC Participant, not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

(iii) Bonds accruing interest at a Term Rate may be tendered for purchase on the commencement date of the succeeding Rate Period for such Bonds at a Purchase Price payable in immediately available funds upon written or Electronic notice of tender to the Trustee, directly or through the Owner's DTC Participant, not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than seven days prior to the purchase date.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Trustee at its principal office and be in form satisfactory to the Trustee;

(ii) shall state, whether delivered personally, in writing, Electronically or by telephone (A) the principal amount of the Bond to which the notice relates, (B) that the Owner or Registered Owner irrevocably demands purchase of such Bond or a specified portion thereof in an amount equal to the lowest denomination then authorized pursuant to Section 2.02 hereof or a whole multiple of such lowest denomination, (C) the date on

which such Bond or portion is to be purchased, (D) and payment instructions with respect to the Purchase Price; and

(iii) shall automatically constitute, whether delivered personally, in writing, Electronically or by telephone (A) an irrevocable offer to sell the Bond (or portion thereof) to which the notice relates on the purchase date at a Purchase Price equal to the principal amount of such Bond (or portion thereof) plus, with respect to Bonds accruing interest at a Daily Rate or a Weekly Rate, any interest thereon accrued and unpaid as of the purchase date, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Trustee on the purchase date, (C) an irrevocable authorization and instruction to the Trustee to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof to be purchased), and (D) an acknowledgment that such Owner or Registered Owner will have no further rights with respect to such Bond (or portion thereof) upon payment of the Purchase Price thereof to the Trustee on the purchase date, except for the right of such Owner or Registered Owner to receive such Purchase Price upon delivery of such Bond to the Trustee and that after the purchase date such Owner or Registered Owner will hold any undelivered certificate as agent for the Trustee. The determination of the Trustee as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner or Registered Owner.

(c) Bonds to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of Bonds accruing interest at Daily Rates), the Trustee shall notify, by telephone, promptly confirmed in writing, the Company and the Remarketing Agent of the principal amount of Bonds (or portions thereof) to be purchased and the date of purchase.

Section 4.02. Mandatory Tenders for Purchase.

(a) Flexible Rate Bonds. Each Bond accruing interest at a Flexible Rate shall be subject to mandatory tender for purchase on the day after the last day of each Flexible Rate Period applicable to such Bond, at a Purchase Price equal to 100% of the principal amount thereof, plus interest accrued during such Flexible Rate Period. The Registered Owner of any Bond accruing interest at a Flexible Rate and tendered for purchase as provided in this Section 4.02(a) shall provide the Trustee with written payment instructions for the Purchase Price of its Bond on or before tender thereof to the Trustee.

(b) Conversions between Rate Periods. Bonds to be converted from one Rate Period to a different Rate Period (except conversions from the Daily Rate to the Weekly Rate or from the Weekly Rate to the Daily Rate) or from a Term Rate Period to a Term Rate Period of different duration, are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to the principal amount thereof plus accrued interest, if any; provided that the Purchase Price for Bonds converted from a Term Rate Period on a date when such Bonds are

also subject to optional redemption at a premium shall include an amount equal to the premium that would be payable if such Bonds were redeemed on such date.

(c) Prior to Expiration of Letter of Credit or Other Credit Facility. The Bonds are subject to mandatory tender for purchase on the Interest Payment Date not less than two (2) Business Days preceding (i) the termination of the Letter of Credit or other credit facility pursuant to Section 7.02, or the effective date of a substitute Letter of Credit, or (ii) the Expiration Date of the Letter of Credit or the expiration of any other credit facility provided pursuant to Section 7.02 unless at least 45 days (or such shorter period as shall be acceptable to the Trustee) prior to such Interest Payment Date the Trustee has received written notice that the Letter of Credit or other credit facility has been or will be extended at a Purchase Price equal to the principal amount thereof plus accrued interest plus the premium, if any, which would be payable if the Bonds were redeemed on the mandatory tender date. The Trustee shall give notice of such mandatory tender for purchase to the Registered Owners of Bonds by first class mail, not less than 15 days before the mandatory tender date. If the Bonds are in certificated form, such notice shall include information with respect to required delivery of Bond certificates and payment of the Purchase Price. Such notice may state that it is subject to rescission upon subsequent delivery of such an amendment to the Letter of Credit in accordance with Section 7.01.

Section 4.03. Remarketing and Purchase.

(a) Remarketing of Tendered Bonds. Unless otherwise instructed by the Company, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of tender has been received pursuant to Section 4.01(c) or which are subject to mandatory tender. While the Bonds are in book-entry only form, the Remarketing Agent will make payment of the Purchase Price for tendered Bonds in accordance with the procedures established by DTC. If the book-entry only system is not in effect, the terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price for tendered Bonds by the Remarketing Agent to the Trustee in immediately available funds at or before 3:00 p.m., New York City time, on the purchase date. The Remarketing Agent shall not sell any Bond as to which a notice of conversion from one type of Rate Period to another has been given by the Trustee unless the Remarketing Agent has advised the Person to whom the sale is made of the conversion.

(b) Purchase of Tendered Bonds.

(i) Notice. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Bonds (or 12:15 p.m., New York City time, on the purchase date in the case of Bonds accruing interest at Daily or Flexible Rates), the Remarketing Agent shall give notice by telephone, telegram, telecopy, telex, Electronically or by other similar communication to the Trustee of the principal amount of tendered Bonds which were remarketed. Not later than 3:00 p.m. (or 1:00 p.m., in the case of Bonds accruing interest at Daily, Weekly or Flexible Rates), New York City time, on the date of receipt of such notice the Trustee shall give notice by telephone, telegram, telecopy, Electronically or by other similar communication to the

Bank and the Company, specifying the principal amount of tendered Bonds as to which the Remarketing Agent has not found a purchaser at that time. At or before 3:00 p.m., New York City time, on the Business Day prior to the purchase date to the extent known to the Remarketing Agent, but in any event, no later than 11:00 a.m. (or 1:00 p.m., in the case of Bonds accruing interest at Daily, Weekly or Flexible Rates), New York City time, on the date fixed for purchase, (or two Business Days prior to the date fixed for purchase in the event tendered Bonds accrue interest at Term Rates), the Remarketing Agent shall give notice to the Trustee by telephone (promptly confirmed in writing or Electronically) of the names, addresses and taxpayer identification numbers of the purchasers, the denominations of Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments, or of any changes in any such information previously communicated.

(ii) Sources of Payments; Drawings on Letter of Credit. The Remarketing Agent shall cause to be paid to the Trustee on the date fixed for purchase of tendered Bonds, all amounts representing proceeds of the remarketing of such Bonds, such payments to be made in the manner and at the time specified in subsection 4.03(a) above. If such amounts will not be sufficient to pay the principal amount thereof plus the accrued and unpaid interest thereon (if any) to the purchase date, the Trustee shall by 12:30 p.m., New York City time, on the purchase date draw under the Letter of Credit, if any, then held by the Trustee in accordance with its terms in a manner so as to furnish immediately available funds by 2:30 p.m., New York City time on such purchase date, in an amount sufficient, together with the remarketing proceeds (not including such proceeds, if any, resulting from any remarketing of Bonds to the Issuer, the Company or any general partner of the Company) available for such purchase, to enable the Trustee to pay the purchase price of Bonds to be purchased on such purchase date. If no Letter of Credit is then held by the Trustee, the Company shall deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to such deficiency prior to 2:30 p.m., New York City time, on the date set for purchase of tendered Bonds (3:00 p.m., New York City time, in the case of Flexible Rate Bonds), the obligation of the Company to deliver such moneys not being conditioned on receipt by the Company of the foregoing notice from the Trustee. All monies received by the Trustee as remarketing proceeds or from drawings on the Letter of Credit and additional amounts, if any, received from the Company shall be deposited by the Trustee in the appropriate account of the Bond Purchase Fund to be used solely for the payment of the Purchase Price of tendered Bonds and shall not be commingled with other funds held by the Trustee.

(iii) Payments by the Trustee. At or before 3:00 p.m., New York City time, on the date set for purchase of tendered Bonds and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Bonds, the Trustee shall pay the Purchase Price of such Bonds to the Registered Owners thereof. Notwithstanding the foregoing, if the Bonds are in book-entry only form, the Trustee will transfer the Purchase Price for tendered Bonds to the Remarketing Agent so that the Remarketing Agent can make payment of the Purchase Price as provided in Section 4.03(a). Such payments shall be made in immediately available funds (or by wire transfer). The Trustee shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of

such Bonds by the Remarketing Agent, (B) proceeds of a drawing of the Letter of Credit, and (C) other monies made available by the Company. If sufficient funds are not available for the purchase of all tendered Bonds, no purchases shall be consummated, all as further set forth in Section 4.04 hereof.

(iv) Registration and Delivery of Tendered or Purchased Bonds. On the date of purchase, the Trustee shall register and deliver (or hold) or cancel all Bonds purchased on any purchase date as follows: (A) Bonds purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) Bonds purchased with proceeds of a drawing on the Letter of Credit shall be held as Pledged Bonds in accordance with subparagraph (v) below; and (C) Bonds purchased with amounts provided by the Company shall be registered in the name of the Company and shall be held in trust by the Trustee on behalf of the Company and shall not be released from such trust unless the Trustee shall have received written instructions from the Company. Notwithstanding anything herein to the contrary, so long as the Bonds are held under the book-entry only system in accordance with Section 2.11 hereof, Bonds will not be delivered as set forth above; rather, transfers of beneficial ownership of the Bonds to the person indicated above will be effected on the registration books of DTC pursuant to its rules and procedures.

(v) Pledged Bonds. Bonds purchased with proceeds of a drawing on the Letter of Credit pursuant to this Section shall be registered in the name of the Company and shall constitute "Pledged Bonds" and shall be held by the Trustee as agent for the Bank as pledgee of the Company (and shall be shown as such on the registration books maintained by the Trustee) unless and until the Trustee has received the proceeds of the remarketing of such Pledged Bonds for the benefit of the Bank and the Bank has received written notice of the same. Pending reinstatement of the Letter of Credit and release of such pledge as aforesaid, the Bank shall be entitled to receive all payments of principal of and interest on Pledged Bonds as pledgee of the Company and such Bonds shall not be transferable or deliverable to any party (including the Company) except the Bank. The Remarketing Agent shall, at the request of the Bank, continue to use its best efforts to arrange for the sale of any Pledged Bonds, subject to full reinstatement of the Letter of Credit with respect to the drawings with which such Bonds were purchased, at a price equal to the principal amount thereof plus accrued interest.

Notwithstanding anything to the contrary in this subsection, if and for so long as the Bonds are to be registered in accordance with Section 2.11 hereof, the registration requirements under this subsection (v) shall be deemed satisfied if Pledged Bonds are (1) registered in the name of the Securities Depository or its nominee in accordance with Section 2.11 hereof, (2) credited on the books of the Securities Depository to the account of the Trustee (or its nominee) and (3) further credited on the books of the Trustee (or such nominee) to the account of the Bank (or its designee).

(vi) Resale of Bonds Purchased by the Company. In the event that any Bonds are registered to the Company pursuant to subparagraph (iv) above to the extent

requested by the Company, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds at a price equal to the principal amount thereof plus accrued interest.

(vii) Delivery of Tendered Bonds; Effect of Failure to Surrender Bonds. All Bonds to be purchased on any date shall be required to be delivered to the principal office of the Trustee at or before (A) 1:00 p.m., New York City time, on the purchase date in the case of Bonds accruing interest at Flexible or Daily Rates; or (B) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Weekly Rates or Term Rates. If the Owner of any Bond (or portion thereof) in certificated form that is subject to optional or mandatory purchase pursuant to this Article fails to deliver such Bond to the Trustee for purchase on the purchase date, and if the Trustee is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (b)(iv) above. Any Owner who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Trustee. The Trustee shall, as to any tendered Bonds which have not been delivered to it (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Bonds registered in the name of such Registered Owner(s) on the bond registration books. The Trustee shall place such stop(s) commencing with the lowest serial number Bond registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Bonds until the appropriate tendered Bonds are delivered to the Trustee. Upon such delivery, the Trustee shall make any necessary adjustments to the bond registration books.

Section 4.04. Inadequate Funds for Tenders. If the funds available for purchases of Bonds pursuant to this Article IV are inadequate for the purchase of all Bonds tendered on any purchase date, the Trustee shall, after any applicable grace period: (a) return all tendered Bonds to the Registered Owners thereof; (b) return all moneys received for the purchase of such Bonds to the Persons providing such monies; and (c) notify the Issuer and the Remarketing Agent of the return of such Bonds and moneys and the failure to make payment for tendered Bonds. The failure to make any such payment shall not limit or restrict the right of any Owner or Registered Owner to tender Bonds for purchase pursuant to this Indenture.

Section 4.05. Tenders by Investment Companies. The Owner of any Bond issued hereunder that is an Investment Company, or is holding Bonds on behalf of an Investment Company, may, at its option, notify the Remarketing Agent and the Trustee of such fact in writing and in such notice irrevocably elect to have its Bond(s) purchased on the next date on which such Bond(s) may be purchased pursuant to Section 4.01 hereof. Any notice delivered by an Investment Company with respect to its Bond(s) shall contain the information required under Section 4.01(b) hereof and shall be irrevocable with the same effect described in Section 4.01(b)(iii).

Section 4.06. **Bond Purchase Fund**. There is hereby created with the Trustee a segregated trust fund to be designated the "Bond Purchase Fund". The Bond Purchase Fund shall consist of three sub-accounts to be designated respectively the "Remarketing Account," the "Letter of Credit Purchase Account" and the "Company Purchase Account."

The Trustee shall deposit or cause to be deposited into the Remarketing Account, when and as received, all moneys delivered to the Trustee as and for the Purchase Price of remarketed Bonds by or on behalf of the Remarketing Agent. The Trustee shall disburse moneys from the Remarketing Account to pay the Purchase Price of Bonds properly tendered for purchase upon surrender of such Bonds.

The Trustee shall deposit or cause to be deposited into the Letter of Credit Purchase Account, when and as received, all proceeds from a drawing on the Letter of Credit pursuant to Section 4.03(b)(ii) of this Indenture. The Trustee shall disburse moneys from the Letter of Credit Purchase Account to pay the Purchase Price of Bonds properly tendered for purchase upon surrender of such Bonds; provided that such proceeds shall not be applied to purchase Pledged Bonds or Company Bonds.

The Trustee shall deposit or cause to be deposited into the Company Purchase Account, when and as received, all moneys delivered to the Trustee by or for the account of the Company pursuant to Section 4.3 of the Agreement. The Trustee shall disburse moneys from the Company Purchase Account to pay the Purchase Price of Bonds properly tendered for purchase by or on behalf of the Company upon surrender of such Bonds or to reimburse the Bank for drawings under the Letter of Credit for such purpose.

The funds held by the Trustee in the Bond Purchase Fund shall not be considered Pledged Revenues as that term is defined herein and shall not constitute part of the trust estate which is subject to the lien of this Indenture. The moneys in the Bond Purchase Fund shall be used solely to pay the Purchase Price of Bonds as aforesaid (or to reimburse the Bank for drawings under the Letter of Credit for such purpose) and may not be used for any other purposes. It shall be the duty of the Trustee to hold the moneys in the Bond Purchase Fund, without liability for interest thereon, for the benefit of the Registered Owners of Bonds which have been properly tendered for purchase or deemed tendered on the purchase date, and if sufficient funds to pay the Purchase Price for such tendered Bonds shall be held by the Trustee in the Bond Purchase Fund for the benefit of the Registered Owners thereof, each such Registered Owner shall thereafter be restricted exclusively to the Bond Purchase Fund for any claim of whatever nature on such Registered Owner's part under this Indenture or on, or with respect to, such tendered Bond. The provisions of Section 6.03 hereof shall govern any funds held in the Bond Purchase Fund for such Registered Owners of the Bonds which remain unclaimed for a period of two years after the applicable purchase date.

ARTICLE V

DEPOSIT OF BOND PROCEEDS

Section 5.01. **Deposit of Proceeds of Bonds**. The proceeds of the Bonds and the other amounts delivered to the Trustee pursuant to Section 2.01 hereof shall be deposited by the Trustee as follows:

(a) in the Debt Service Fund, established pursuant to Section 6.01 hereof, a sum equal to the accrued interest, if any, paid by the initial purchasers of the Bonds, and

(b) in the Refunding Fund, established pursuant to Section 6.01 hereof, the balance of the proceeds received from the initial purchasers of the Bonds (other than the underwriters' discount).

ARTICLE VI

DEBT SERVICE FUND, REBATE FUND AND REFUNDING FUND

Section 6.01. **Establishment of Certain Funds and Accounts**. The Issuer hereby establishes with the Trustee the Debt Service Fund, within which there is hereby established a Company Debt Service Account and a Letter of Credit Debt Service Account, the Rebate Fund and the Refunding Fund.

Section 6.02. **Debt Service Fund**. The Trustee shall maintain the Debt Service Fund as follows:

(a) The Trustee shall deposit into the Company Debt Service Account all amounts received by the Trustee or for the account of the Company pursuant to Section 5.01(a) hereof, all Debt Service Payments received pursuant to Section 4.2 of the Agreement.

(b) The Trustee shall deposit into the Letter of Credit Debt Service Account all moneys received by the Trustee from drawings under the Letter of Credit to pay principal of, premium, if any, on and interest on the Bonds (other than Pledged Bonds or Company Bonds).

(c) Moneys in the Letter of Credit Debt Service Account shall be applied to the payment when due of principal of, premium, if any, on and interest on the Bonds (other than Pledged Bonds or Company Bonds).

(d) Moneys in the Company Debt Service Account shall be applied to the following in the order of priority indicated, upon written direction from the Company:

(1) the reimbursement of the Bank when due for moneys drawn under the Letter of Credit and deposited in the Letter of Credit Debt Service Account for payment of principal of, premium, if any, on and interest on the Bonds;

(2) when insufficient moneys have been received under the Letter of Credit for application pursuant to Subsection 6.02(c), the payment when due of principal of, premium, if any, on and interest on the Bonds, other than Company Bonds or Pledged Bonds;

(3) the payment when due of principal of, premium, if any, on and interest on Pledged Bonds; and

(4) the payment when due of principal of, premium, if any, on and interest on Company Bonds, provided that if the Trustee shall have received written notice from the Bank that any amounts are due and owing to the Bank under the Reimbursement Agreement, such payments shall be made to the Bank for the account of the Company.

(e) By 5:00 p.m. on the Business Day immediately preceding each Interest Payment Date, each redemption date and the maturity date of the Bonds, the Trustee shall present the requisite draft and certificate for a drawing on the Letter of Credit so as to comply with the provisions of the Letter of Credit for payment to be made in sufficient time for the Trustee to receive the proceeds of such drawing at or before 2:00 p.m. on such Interest Payment Date, redemption date or maturity date, as the case may be, to pay principal of, premium, if any, on and interest on the Bonds due on such date (other than Pledged Bonds or Company Bonds). In addition, the Trustee shall draw on the Letter of Credit pursuant to its terms in accordance with and in order to satisfy the requirements of Section 11.02(b). By 5:00 p.m. on each date it presents the requisite documents for a drawing on the Letter of Credit, the Trustee shall give notice to the Company by telephone, promptly confirmed in writing, of the amount so drawn. The Trustee shall promptly notify the Company by oral or telephonic communication confirmed in writing if the Bank fails to transfer funds in accordance with the Letter of Credit upon the presentment of the requisite draft and certificate. In calculating the amount to be drawn on the Letter of Credit for the payment of principal of, premium, if any, on and interest on the Bonds, whether on an Interest Payment Date, at maturity or upon redemption or acceleration, the Trustee shall not take into account the potential receipt of funds from the Company under the Agreement on such Interest Payment Date, or the existence of any other moneys in the Bond Fund, but shall draw on the Letter of Credit for the full amount of principal, premium, if any, on and interest coming due on the Bonds.

Section 6.03. Return of Monies from Non-Delivery of Bonds. In the event any Bond shall not be delivered for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof, or otherwise, and is not thereafter delivered for payment, or if interest thereon is unclaimed, any funds which shall be held for such purpose by the Trustee and which remain unclaimed by the Registered Owner of the Bond for a period of two years after such due date thereof, shall, upon request in writing by the Company, and subject to applicable unclaimed property or similar laws of the State, be paid to the Company for the benefit of the Registered Owner thereof free of any trust or lien and thereafter the Registered Owner of such Bond shall look only to the Company for payment without any interest thereon, and the Trustee shall not have any further responsibility with respect to such moneys. In addition, if at any time

after there are no longer any Bonds Outstanding the Trustee determines that the amounts on deposit in the Funds and accounts created under this Indenture are in excess of the amounts necessary to pay the Bond Obligations, the Trustee, upon the written direction of the Company, shall pay such excess to the Bank, to the extent of any amount certified by the Bank as due from the Company (or its parent) under the Reimbursement Agreement, and then to the Company as an overpayment of the Debt Service Payments free of any trust or lien. To the extent that such determination involves a determination of the Rebate Amount, the Trustee may rely upon a certificate of the Company as to the amount thereof.

Section 6.04. Rebate Fund; Covenants Regarding Rebate.

(a) A Rebate Fund is hereby established by the Issuer. Such Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation the Registered Owners. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Regulations promulgated pursuant thereto. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section. The Rebate Fund is not a portion of the trust estate and is not subject to the lien of this Indenture.

(b) At the close of each Bond Year, the Company, or its agent, shall compute the amount of "Excess Earnings," if any, and the Rebate Amount for the period beginning on the Issue Date and ending at the close of such Bond Year, transmit a copy of such computation to the Trustee, and pay to the Trustee for deposit to the Rebate Fund an amount equal to the difference, if any, between the amount then in the Rebate Fund and the "Excess Earnings" so computed. If, at the close of any Bond Year, the amount in the Rebate Fund exceeds the amount (as determined by the Company) that would be required to be paid to the United States of America under paragraph (d) below if the Bonds had been paid in full, such excess may be transferred from the Rebate Fund and paid to the Company to be used for such purposes for which, or to be redeposited to such fund from which, such amounts were originally intended or originated.

(c) In general, "Excess Earnings" for any period of time means the sum of

(i) the excess of --

(A) the aggregate amount earned during such period of time on all Nonpurpose Investments (including gains on the disposition of such obligations) in which Gross Proceeds of the Bonds are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)), over

(B) the amount that would have been earned during such period of time if the Yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the Yield on the Bonds, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

(d) The Trustee shall pay to the United States of America at least once every five years an amount, as determined by the Company and provided in writing to the Trustee, that ensures that at least 90 percent of the Excess Earnings from the Issue Date to the close of the period for which the payment is being made will have been paid. The Trustee shall pay to the United States of America not later than 60 days after the Bonds have been paid in full 100 percent of the amount, as determined by the Company and provided in writing to the Trustee, then required to be paid under Section 148(f) of the Code as a result of Excess Earnings. The Company shall provide to the Trustee any completed Internal Revenue Service form that must accompany each payment to the United States of America.

(e) The amounts to be computed, paid, deposited or disbursed under this section shall be determined by the Company acting on behalf of the Issuer within ten days after each successive anniversary date of the Issue Date. By such date, the Company shall also notify, in writing, the Trustee and the Issuer of the determinations the Company has made and the payment to be made pursuant to the provisions of this section. Upon written request of any Registered Owner of Bonds, the Company shall furnish to such Registered Owner of Bonds a certificate (supported by reasonable documentation, which may include calculation by Bond Counsel or by some other service organization) showing compliance with this section and other applicable provisions of Section 148 of the Code.

(f) Notwithstanding anything contained herein to the contrary, the provisions of this section shall not apply to the Trustee, the Issuer or the Company if (i) within 180 days from the Issue Date, all Gross Proceeds are expended as expected to refund the Prior Bonds or (ii) the proceeds of the Bonds including any investment earnings thereon, have been applied in a manner which, in the written opinion of Bond Counsel delivered to the Trustee, will not adversely affect the tax-exempt status of interest on the Bonds.

(g) The Trustee shall maintain a record of the annual computations by the Company of the Excess Earnings and the Rebate Amount required by Section 6.04(b) above for a period beginning on the first anniversary date of the Issue Date and ending on the date six years after the final retirement of the Bonds. Such records provided by the Company shall state each such anniversary date and summarize the manner in which the Excess Earnings and the Rebate Amount, if any, were determined. This provision shall not be applicable if the Gross Proceeds are expended within 180 days of the Issue Date.

(h) If the Trustee shall declare the principal of the Bonds and the interest accrued thereon immediately due and payable as the result of an Event of Default specified in this Indenture, or if the Bonds are optionally or mandatorily prepaid or redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in any of the Funds shall be transferred to the Rebate Fund to the extent that the amount therein is less than the Rebate Amount computed by the Company as of the date of such acceleration or redemption, and the balance of such amount shall be used immediately by the Trustee for the purpose of paying principal of, premium, if any, and interest on the Bonds when due. In furtherance of such

intention, the Issuer hereby authorizes and directs its Issuer Representatives to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code and which are requested by the Company and are consistent with the purpose for the issuance of the Bonds.

(i) If the Company fails to provide any of the information, certifications, calculations or moneys to the Trustee as required in this Section 6.04, neither the Trustee nor the Issuer shall have any obligation to, and shall not, make any calculation required hereunder.

Section 6.05. Refunding Fund. The proceeds of the sale of the Bonds, except accrued interest thereon, if any, shall be deposited by the Trustee in the Refunding Fund and shall be transferred to the Prior Bonds Trustee to be used, together with other available funds, to refund the Prior Bonds.

Section 6.06. Moneys to be Held for All Registered Owners, With Certain Exceptions. Until applied as herein provided, moneys and investments held in all Funds and accounts established hereunder (other than funds held in the Bond Purchase Fund and the Rebate Fund) shall be held in trust for the benefit of the Registered Owners of all Outstanding Bonds, except that on and after the date on which the interest on or principal or redemption price of any particular Bond or Bonds is due and payable from the Debt Service Fund, the unexpended balance of the amount deposited or reserved in such Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Registered Owner or Registered Owners entitled thereto.

Section 6.07. Additional Accounts and Subaccounts. At the written request of the Company, the Trustee shall establish and maintain additional accounts within the Funds or subaccounts within the accounts established hereunder as the Company may reasonably request; provided that (a) in each case, the written request of the Company shall set forth in reasonable detail the sources of deposits into and disbursements from the account or subaccount to be established, (b) in each case, the sources of deposits into and disbursements from the account or subaccount to be established shall be limited to the sources of deposits permitted or required under this Indenture to be made into and the disbursements permitted or required to be made from the fund or account within which it is to be established, and (c) each additional account or subaccount established hereunder shall be held in trust for the benefit of the Registered Owners of all Outstanding Bonds, except as provided in Section 6.06 hereof.

ARTICLE VII

LETTER OF CREDIT

Section 7.01. **Extension in Anticipation of Expiration**. At least 45 days (or such shorter period as shall be acceptable to the Trustee) prior to the Interest Payment Date occurring at least two (2) Business Days preceding the Expiration Date of the current Letter of Credit, the Company may provide for the delivery to the Trustee of an amendment to the Letter of Credit or amendment and restatement of the Letter of Credit which extends the Expiration Date to a date that is not earlier than one year from its then current Expiration Date and is at least two Business Days after an Interest Payment Date (provided that if the Bonds then bear interest at a Daily Rate or Weekly Rate, the Trustee shall have received confirmation from each Rating Service that such amendment will not result in a withdrawal or downgrade of any credit rating). If the Letter of Credit is so extended, the mandatory tender for purchase pursuant to clause (c) of Section 4.02, shall not occur; otherwise, the Trustee shall take all action necessary to call the Bonds for mandatory tender for purchase pursuant to clause (c) of Section 4.02 on the Interest Payment Date next preceding such Expiration Date; provided that if the Company shall have notified the Trustee in writing that it expects to meet all the conditions for the delivery of an amendment extending the existing Letter of Credit on or before the Interest Payment Date next preceding the Expiration Date of the existing Letter of Credit, then the notice of mandatory tender for purchase pursuant to the clause (c) of Section 4.02 shall state that it is subject to rescission, and the Trustee shall rescind such notice, if such conditions are so met (in which case such mandatory purchase shall not occur).

Section 7.02. **Other Credit Enhancement; No Credit Enhancement**. The Company may, on any Interest Payment Date on which the Bonds are subject to optional redemption, and after a mandatory purchase of the Bonds pursuant to clause (c) of Section 4.02, provide other credit enhancement (such as a letter of credit not meeting the requirement of this Article VII or bond insurance) or no credit enhancement as security for the Bonds; provided that any such credit enhancement shall have administrative provisions satisfactory to the Trustee and the Company shall have furnished to the Trustee with respect thereto an opinion of Bond Counsel to the effect such action will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and provided further that the Trustee shall be provided with a letter from at least one Rating Service that the Bonds will be rated in one of the four highest rating categories (exclusive of gradations within a rating category) immediately after the termination of the Letter of Credit or termination of any other credit facility contemplated by this Section 7.02.

Section 7.03. **[RESERVED.]**

Section 7.04. **Reduction**. In each case that Bonds are redeemed or deemed to have been paid pursuant to Article XVI, the Trustee shall take such action as may be permitted under the Letter of Credit to reduce the amount available thereunder to an amount equal to the principal amount of the outstanding Bonds, plus interest at the maximum interest rate with respect to the Bonds specified in the Letter of Credit for the maximum period between Interest Payment Dates plus 10 days; provided that such action by the Trustee shall not be required if the Letter of Credit

so reduces automatically pursuant to its terms. Upon reduction of the amount available under the Letter of Credit pursuant to the terms of the Letter of Credit and this Section as a result of redemption of Bonds, the Bank shall have the right, at its option, to require the Trustee to promptly surrender the outstanding Letter of Credit to the Bank and to accept in substitution therefor a substitute Letter of Credit in the same form, dated the date of such substitution, for an amount equal to the amount available under the Letter of Credit as so reduced, but otherwise having terms identical to the then outstanding Letter of Credit.

ARTICLE VIII
INVESTMENTS

Section 8.01. **Investment of Funds**. Pending disbursement of the amounts on deposit in any Fund, the Trustee is hereby directed to invest and reinvest such amounts (other than amounts held pursuant to Section 6.03 and amounts held in the Bond Purchase Fund or in the Letter of Credit Debt Service Account, which shall be held uninvested, and other than amounts deposited in the Refunding Fund which shall immediately be transferred to the Prior Bonds Trustee for the redemption of the Prior Bonds) in Investment Securities promptly upon receipt of, and, subject to the limitations set forth in this Article, in accordance with, the written instructions of the Company executed by an Authorized Company Representative, which instructions shall specify particular investments and shall certify that such investments constitute Investment Securities. All such investments shall be credited to the Fund from which the money used to acquire such investments shall have come, and all income and profits on such investments shall be credited to, and all losses thereon shall be charged against, such Fund. As amounts invested are needed for disbursement from any Fund, the Trustee on receipt of written instruction from the Company shall cause a sufficient amount of the investments credited to that Fund to be redeemed or sold and converted into cash to the credit of that Fund. The Trustee shall not be liable or responsible for any loss resulting from any such investment or reinvestment as herein authorized or for its inability, after reasonable effort and within a reasonable time, to make such investment or reinvestment; except that the Trustee shall be liable for any loss resulting from its willful or negligent failure, within a reasonable time after receiving the written direction from the Company to make any investment or reinvestment in the manner provided for herein at the Company's direction.

The Company by its execution of the Agreement covenants to restrict the investment of money in the Funds created under this Indenture in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are delivered to their original purchasers, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code and the Regulations, and the Trustee hereby agrees to comply with the Company's written instructions executed by an Authorized Company Representative with respect to the investment of money in the Funds created under this Indenture. It is expressly provided that, because investments hereunder are to be made by the Trustee pursuant to instructions of the Company, the Trustee shall have no liability with respect thereto if, as a result of an investment made pursuant to such instructions, the Bonds become "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 8.02. __Covenants Regarding Tax Exemption__. The Issuer covenants to refrain from knowingly taking any action which would adversely affect, and to take such action as is reasonable and available and within its control at the request of the Company to ensure, the treatment of the Bonds as obligations described in Section 103 of the Code, the interest on which is not includable in the "gross income" of the holder (other than the income of a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) for purposes of federal income taxation. It is the understanding of the Issuer and the Trustee that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of Bond Counsel, will cause noncompliance with such covenant to not adversely affect the exemption from federal income taxation of interest on the Bonds under the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply, upon appropriate notification by the Company and at the expense of the Company, with the additional requirements to the extent necessary, in the opinion of Bond Counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

It is expressly provided that, because investments hereunder are to be made by the Trustee pursuant to instructions of the Company, the Issuer shall have no liability with respect thereto if, as a result of an investment made pursuant to such instructions, the Bonds become "arbitrage bonds" within the meaning of Section 148 of the Code. Furthermore, it is expressly provided that, because the Company will instruct the Trustee as to the disposition of the gross proceeds of the Bonds and moneys in the Refunding Fund and the Rebate Fund, neither the Trustee nor the Issuer shall have any liability with respect thereto if, as a result of dispositions made pursuant to such instructions, or not made due to a lack of such instructions, there is a breach of the Issuer's covenants contained herein.

ARTICLE IX

REDEMPTION OF BONDS

Section 9.01. __Bonds Subject to Redemption__. The Bonds shall be subject to redemption prior to maturity as set forth below:

(a) __Optional Redemption__. The Bonds shall be subject to redemption at the option of the Issuer, in whole or in part, and if in part in denominations authorized by Section 2.02(a) hereof, at the direction of the Company, from funds available for such purpose in the Debt Service Fund, as follows:

(i) If the Bonds accrue interest at Flexible, Daily or Weekly Rates, the Bonds shall be subject to Optional Redemption on any Interest Payment Date at an

Optional Redemption price equal to 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

(ii) If the Bonds accrue interest at a Term Rate, the Bonds shall be subject to Optional Redemption (i) at any time on and after the dates and at the Optional Redemption prices set forth below, together with accrued interest, if any, to the redemption date and (ii) on the day after the end of each Term Rate Period at the redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date:

Length of Term Rate Period	Commencement of Redemption Period	Redemption Price
Greater than 10 years	10th anniversary of the commencement of Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100%, and thereafter at 100%
Less than or equal to 10 years	Bonds not subject to optional redemption until commencement of next Term Rate Period	

The optional redemption dates and redemption prices set forth above may be changed in connection with a conversion to a Term Rate by a supplemental indenture approved by the Company and filed with the Trustee, provided that any such supplemental indenture shall be accompanied by a Favorable Opinion of Bond Counsel.

If a Letter of Credit is then in effect and the redemption price includes any premium, the right of the Company to direct an Optional Redemption is subject to the condition that the Trustee has received, prior to the date on which notice of redemption is required to be given to Registered Owners, written confirmation from the Bank that it can draw under the Letter of Credit on the proposed redemption date in an aggregate amount sufficient to cover the principal of and premium and interest due on the redemption date.

(b) Special Mandatory Redemption.

The Bonds shall be subject to special mandatory redemption prior to maturity on a date selected by the Company not later than 180 days after the occurrence of a Determination of Taxability at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date. Any such special mandatory redemption shall be in whole unless it is finally determined as evidenced by a Favorable Opinion of Bond Counsel delivered and addressed to the Trustee that less than all of the Bonds may be redeemed without adversely affecting the exclusion of interest on the remaining Bonds from gross income for federal income tax purposes, in which case only the principal amount of Bonds indicated in such opinion need be redeemed.

If the Trustee receives written notice from any Owner or Registered Owner stating that (i) the Owner or Registered Owner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such Owner or Registered Owner for the reasons stated in the definition of "Determination of Taxability" set forth herein or any other proceeding has been instituted against such Owner or Registered Owner which may lead to a Final Determination as described in the aforesaid definition, and (ii) such Owner or Registered Owner will afford the Company the opportunity to contest the same, either directly or in the name of the Owner or Registered Owner, and until a conclusion of any appellate review, if sought, then the Trustee shall promptly give notice thereof to the Company and the Issuer and to the Owner or Registered Owners of Bonds then Outstanding. If a Final Determination thereafter occurs, the Trustee shall make demand for prepayment of the unpaid Debt Service Payments or necessary portions thereof from the Company and give notice of the special mandatory redemption of the appropriate amount of Bonds on the date selected by the Company within the required period of 180 days. In taking any action or making any determination under this Section 9.01(b), the Trustee may conclusively rely on a Favorable Opinion of Bond Counsel.

(c) Extraordinary Optional Redemption.

The Bonds will be subject to extraordinary optional redemption by the Issuer, at the direction of the Company, in whole or in part at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date on any date within one year after the occurrence of any of the following events:

(a) The Project or the Plant shall have been damaged or destroyed to such extent that, in the opinion of the Company, (i) normal operations at the Project or the Plant are prevented or are likely to be prevented for a period of four consecutive months, or (ii) the restoration of the Project or the Plant is not economically feasible.

(b) Title to, or the temporary use of, all or substantially all of the Project or the Plant shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority which, in the opinion of the Company, is likely to

result in normal operations at the Project or the Plant being prevented for a period of four consecutive months.

(c) Changes, which the Company cannot reasonably control or overcome, in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation of the Project or the Plant shall have occurred, or technological or other changes shall have occurred which, in the opinion of the Company, render uneconomic the continued operation of the Project or the Plant.

(d) Any court or administrative body shall enter a judgment, order or decree requiring cessation of all or any substantial part of operations at the Project or the Plant, to such an extent that, in the opinion of the Company, normal operations at the Project or the Plant are likely to be prevented for a period of four consecutive months.

(e) As a result of any changes in the Virginia Constitution or the Constitution of the United States of America or as a result of legislation or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Company in good faith, the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties, or shall have been declared to be unlawful, or unreasonable burdens or excessive liabilities shall have been imposed on the Issuer or the Company, including without limitation federal, state or other ad valorem, property, income or other taxes or fees not being imposed on the date of the Agreement.

Section 9.02. **Selection of Bonds for Redemption**. In the event that fewer than all Bonds subject to redemption are to be redeemed, Bonds shall be selected for redemption in the following manner provided that the Bonds that remain outstanding shall be in authorized denominations:

(a) In the case of any Optional, Extraordinary Optional or Special Mandatory Redemption, Bonds shall be selected for redemption (i) by DTC, in accordance with its rules and procedures, so long as DTC or its nominee is the sole Registered Owner of the Bonds, or (ii) by the Trustee by lot, first, from Bonds subject to such redemption (other than Bonds owned of record by the Company), and, second, from Bonds subject to such redemption owned of record by the Company.

(b) For purposes of subparagraph (a) above, each minimum increment of authorized denominations represented by any Bond shall be considered a separate Bond.

Section 9.03. **Notice of Redemption**. (a) The Company shall deliver written notice to the Trustee of its intention to prepay the Debt Service Payments and cause the Bonds to be called for Optional Redemption or Extraordinary Optional Redemption at least 30 days prior to the

proposed redemption date of Daily Rate and Weekly Rate Bonds, and at least 45 days prior to the proposed redemption date of Flexible Rate and Term Rate Bonds. The Trustee shall cause notice of any redemption of Bonds hereunder, which notice shall be prepared by the Company, to be mailed at the expense of the Company by first class mail, postage prepaid (except when DTC is the Registered Owner of all of the Bonds and except for persons or entities owning or providing evidence of ownership satisfactory to the Trustee of a legal or beneficial ownership in at least $1,000,000 of principal amount of Bonds who so request, in which cases, by certified mail, return receipt requested), to the Registered Owners of all Bonds to be redeemed at the registered addresses appearing in the registration books kept for such purpose pursuant to Article II hereof. Each such notice shall (i) be mailed at least 15 days prior to the redemption date for Daily, Weekly and Flexible Rate Bonds and at least 30 days prior to the redemption date for Term Rate Bonds, (ii) identify the Bonds to be redeemed if less than all Bonds are to be redeemed (specifying the CUSIP numbers, if any, assigned to the Bonds), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the Bonds called for redemption will be payable at the principal office of the Trustee, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds; provided, however, that so long as DTC or its nominee is the sole Registered Owner of the Bonds under DTC's "Book-Entry Only System," redemption notices will be sent to Cede & Co. Any failure on the part of DTC, or a DTC Participant to give such notice to the Owner or any defect therein shall not affect the sufficiency or validity of any proceedings for the redemption of the Bonds. No defect affecting any Bond, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Bonds.

(b) Conditional Notice. If at the time of mailing of notice of an Optional Redemption or Extraordinary Optional Redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional upon the deposit with the Trustee on or prior to the redemption date of moneys sufficient to pay the redemption price of the Bonds to be redeemed plus interest, if any, accrued thereon to the date of redemption, and such notice shall be of no effect unless such moneys are so deposited.

(c) Additional Notice of Redemption. In addition to the redemption notice required above, if there is more than one Registered Owner of the Bonds, further notice (the "Additional Notice") shall be given by the Trustee as set out below. No defect in the Additional Notice nor any failure to give all or any portion of the Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in paragraph (a) above.

(1) Each Additional Notice shall contain the information required in paragraph (a) above for an official notice of redemption plus (i) the date of the Bonds as originally issued; (ii) the interest rate determination method for, or the rate of interest borne by each Bond being redeemed; (iii) the maturity date of each Bond being redeemed; and (iv) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each Additional Notice shall be sent at least 30 days (15 days in the case of Bonds accruing interest at Daily, Weekly or Flexible Rates) before the redemption date by registered or certified mail or overnight delivery service to the following registered securities depositories: The Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania and to such other registered securities depositories as may be specified by the Company to the Trustee in writing and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds as shall be specified by the Company to the Trustee in writing.

(3) The Trustee's agreement to give the notices specified in this subsection (c) is made as a matter of courtesy and accommodation only and the Trustee shall incur no liability to any Person for its failure to give such notices.

(d) CUSIP Identification. Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer, provided that neither the Issuer, the Company, nor the Trustee shall be deemed to have made any representation as to the correctness of such CUSIP number.

Section 9.04. **Effect of Redemption.** If payment of the redemption price of the Bonds has been duly provided for on the redemption date, then interest on the Bonds called for redemption will cease to accrue on such date, and the Registered Owners will have no rights with respect to such Bonds nor will they be entitled to the benefits of the Indenture except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption.

Section 9.05. **Optional Redemption only at Direction of Company.** Redemption of the Bonds by the Issuer pursuant to Sections 9.01(a) and (c) shall only be made at the direction and in the sole discretion of the Company, and the Issuer shall take no action with respect to Sections 9.01(a) or (c) without the prior written direction of the Company.

ARTICLE X

COVENANTS OF ISSUER

Section 10.01. **Payment of Principal and Interest on Bonds.** The Issuer shall promptly pay the interest on and the principal of every Bond issued and Outstanding hereunder according to the terms thereof, together with interest on defaulted principal and interest (to the extent permitted by law) from the date such payment was due at the rate borne by the Bonds, but only out of the Pledged Revenues and only in the manner set forth in Article II hereof. The Issuer hereby appoints the Trustee to act as Paying Agent with respect to the Bonds.

Section 10.02. **Enforcement of Agreement; Prohibition Against Amendments.** The Trustee may, in its own name or in the name of the Issuer, enforce all rights of the Issuer under

the Agreement (except the Issuer's rights under Sections 4.2(b), 4.2(d), 6.3 and 7.5 thereof) and all obligations of the Company under the Agreement. The Issuer shall cooperate with the Trustee in enforcing the payment of all amounts payable under the Agreement, including without limitation Debt Service Payments. So long as no Event of Default hereunder shall have occurred and be continuing as a result of nonpayment of any Debt Service Payment, the Issuer may exercise all its rights under the Agreement as amended or supplemented from time to time, except that it shall not amend the Agreement without the consent of the Trustee pursuant to Section 15.03 hereof.

Section 10.03. Take Further Action. The Issuer covenants that it shall from time to time execute and deliver such further instruments and take such further action as may be requested of the Issuer by the Trustee or the Company, if such request is reasonable, is performed at the Company's expense and is required to carry out the purpose of this Indenture; provided, however, that no such instruments or actions shall pledge the credit of the Issuer.

Section 10.04. No Disposition of Pledged Revenues. Except as otherwise permitted in this Indenture or the Agreement, the Issuer shall not sell, pledge, assign, lease or otherwise dispose of or encumber any of the Pledged Revenues.

Section 10.05. Faithful Performance; Due Authorization. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions required to be performed by it and contained in this Indenture, in any and every Bond executed and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to assign the Agreement and amounts payable under the Agreement and to assign the payments and amounts hereby assigned in the manner and to the extent herein set forth; and that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Each of the following shall be an Event of Default hereunder:

(i) payment of any installment of interest, principal, premium, if any or Purchase Price on the Bonds is not made when the same becomes due and payable; or

(ii) an Event of Bankruptcy shall occur, provided that, in the event of a filing of an involuntary case in bankruptcy under the United States Bankruptcy Code or the commencement of a proceeding under any other applicable law concerning bankruptcy, insolvency or reorganization against the Company or the general partner of the Company,

such petition or proceeding shall remain undismissed or unstayed for a period of 90 days; or

(iii) failure by the Company to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Indenture or the Agreement, other than as referred to in (i) above, for a period of 30 days after written notice, specifying such failure, requesting that it be remedied and stating that such notice is a "Notice of Default" hereunder, is given to the Company by the Trustee or to the Company and the Trustee by the Issuer; provided, however, that if the default is such that it cannot be remedied within such period, it shall not constitute an Event of Default if the default, in the judgment of the Trustee in reliance upon advice of counsel, is correctable without material adverse effect on the Bonds and if corrective action is instituted by the Company within such period and is being diligently pursued until the default is remedied; or

(iv) failure by the Issuer to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Indenture, other than as referred to in (i) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied and stating that such notice is a "Notice of Default" hereunder, is given by the Trustee; provided, however, that such period shall be extended if corrective action is instituted within such period and is being diligently pursued until the default is remedied; or

(v) receipt by the Trustee of a written notice from the Bank stating that an Event of Default has occurred under the Reimbursement Agreement and directing the Trustee to declare the principal of the outstanding Bonds immediately due and payable; or

(vi) receipt by the Trustee of a written notice from the Bank, prior to the close of business ten days following payment of a drawing under the Letter of Credit for interest on Bonds which remain outstanding after the application of the proceeds of such drawing (and if such day is not a Business Day then on or before the close of business on the Business Day next preceding such date), stating that the Letter of Credit will not be reinstated with respect to such interest.

(b) The Trustee shall immediately notify the Issuer, the Remarketing Agent, and the Company of the occurrence of any Event of Default of which a Responsible Officer of the Trustee has actual knowledge.

(c) <u>Force Majeure</u>. The provisions of Section 11.01(a)(iii) and (iv) hereof are subject to the following limitations: if by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the Government of the United States or of the State or any department, agency, political subdivision, court or official of any of them, or any civil or military authority; insurrections; riots; epidemics; swarms of boll weevils and plagues of locusts; blizzards; landslides; lightning; earthquakes; volcanoes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil

disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Company, the Company is unable in whole or in part to carry out any one or more of its agreements or obligations contained in the Agreement other than its obligations for the payment of money under Sections 4.2, 4.3, 6.3 and 9.1 thereof, the Company shall not be deemed in default by reason of not carrying out said agreement or agreements or performing said obligation or obligations during the continuance of such inability so long as the Company shall make reasonable effort to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company.

Section 11.02. Acceleration and Annulment Thereof.

(a) If any Event of Default has occurred and is continuing the Trustee (with the written consent of the Bank, other than an Event of Default pursuant to subsection 11.01(a)(i) if a Letter of Credit is then in effect and the Bank has dishonored a valid drawing on the Letter of Credit, in which case no Bank consent shall be required) may and, at the written direction of the Bank or the Registered Owners of 25% or more in principal amount of the Bonds then Outstanding, or with respect to an Event of Default under subsection 11.01(a)(v) or (vi) hereof, shall, by notice in writing to the Issuer and the Company, declare the principal of all Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in this Indenture or in the Bonds to the contrary notwithstanding; provided, however, that no such declaration shall be made if the Company cures such Event of Default prior to the date of the declaration.

(b) Upon any such declaration hereunder, the Trustee shall immediately, on the date of such declaration, draw upon the Letter of Credit (if any) to the full extent permitted by the terms thereof. Interest on the Bonds shall cease to accrue on the date of such declaration. Upon receipt by the Trustee of payment of the full amount drawn on the Letter of Credit and provided sufficient moneys are available in the Debt Service Fund to pay pursuant to Section 6.02 all sums due on the Bonds, the Bank shall succeed to and be subrogated to the right, title and interest of the Trustee and the Registered Owners in and to the Agreement, all funds held under this Indenture (except any funds held in the Debt Service Fund or the Bond Purchase Fund which are identified for the payment of the Bonds or of the purchase price of undelivered Bonds and any funds held in the Rebate Fund) and any other security held for the payment of the Bonds, all of which, upon payment of any fees and expenses due and payable to the Trustee pursuant to the Agreement or this Indenture, shall be assigned by the Trustee to the Bank.

(c) If after the principal of the Bonds has been so declared to be due and payable and before a judgment or decree for payment of the money due has been obtained by the Trustee all arrears of interest upon the Bonds, together with interest on unpaid principal and interest (to the extent permitted by law) at the rate borne by the Bonds immediately preceding such declaration, are paid or caused to be paid, and the reasonable charges of the Trustee and the Registered

Owners, including reasonable attorney's fees, are paid or caused to be paid, and all Events of Default, other than the non-payment of principal due solely by such declaration, have been cured or waived as provided in Section 11.13, then, and in every such case, the Trustee shall at the written direction of the Registered Owners of a majority in principal amount of the Bonds then Outstanding annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Registered Owners of Bonds issued hereunder; provided that there shall be no annulment of any declaration resulting from (1) any Event of Default specified in Subsection 11.01 (v) or (vi) without the prior written consent of the Bank and unless the Trustee has received written notice from the Bank that the Letter of Credit has been fully reinstated; or (2) any Event of Default which has resulted in a drawing under the Letter of Credit unless the Trustee has received written notice from the Bank that the Letter of Credit has been fully reinstated. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Section 11.03. **Legal Proceedings by Trustee**. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Registered Owners of 25% or more in principal amount of the Bonds then Outstanding and receipt of indemnity from the Registered Owners to its satisfaction shall, in its own name;

(a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Registered Owners, including the right to require the Issuer or the Company to carry out any agreements with, or for the benefit of, the Registered Owners and to perform its duties under the Agreement or the Act;

(b) Bring suit upon the Bonds; and

(c) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners.

Section 11.04. **Discontinuance of Proceedings by Trustee**. If any proceeding taken by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, the Issuer, the Trustee, the Company and the Registered Owners shall be restored to their former positions and rights hereunder as though no such proceeding had been taken.

Section 11.05. **Registered Owners May Direct Proceedings**. The Registered Owners of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that (i) such directions shall not be otherwise than in accordance with law or the provisions of this Indenture, (ii) the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Registered Owners not parties to such direction or which could involve the Trustee in personal liability and (iii) if a Letter of Credit is in effect and no default has occurred and is continuing thereunder, then the Bank shall have the right to give such direction in lieu of such Registered Owners.

Section 11.06. **Limitations on Actions by Registered Owners**. No Registered Owners shall have any right to pursue any remedy hereunder unless (a) the Trustee shall have

been given written notice of an Event of Default by the Registered Owners of at least 25% in principal amount of the Bonds then Outstanding, (b) the Registered Owners of at least 25% in principal amount of the Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within 60 days after receipt of such notice, request and offer of indemnity.

Section 11.07. Trustee May Enforce Rights Without Possession of Bonds. All rights under this Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Registered Owners of the Bonds.

Section 11.08. Remedies Not Exclusive. Except as limited under Section 2.06(c) and Section 16.01 of this Indenture, no remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 11.09. Delays and Omissions Not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

Section 11.10. Application of Moneys in Event of Default. If any Event of Default has occurred and is continuing, any moneys on deposit in any Fund or account established hereunder (except the Bond Purchase Fund and the Rebate Fund) and any monies received by the Trustee under this Article XI, shall, subject to the provisions of Section 6.04(h) hereof, be applied in the following order; provided, however, that all moneys received by the Trustee pursuant to any drawing made upon the Letter of Credit pursuant to Section 11.02(b) shall be applied by the Trustee to and only to the payment of principal and of interest on the Bonds (other than Pledged Bonds and Company Bonds):

FIRST: To the payment of the costs of the Trustee, including counsel fees and expenses, and any disbursements of the Trustee with interest thereon, and its reasonable compensation and any indemnities owing to it;

SECOND: To the payment of all interest then due on Outstanding Bonds or, if the amount available for the payment of interest is insufficient for such purpose, to the payment of interest ratably in accordance with the amount due in respect of each Bond (other than Bonds owned of record by the Company);

THIRD: To the payment of the outstanding principal amount of all Bonds or, if the amount available for the payment of principal is insufficient for such purpose, to the payment of principal ratably in accordance with the amount due in respect of each Bond (other than Bonds owned of record by the Company);

FOURTH: To the payment of the Bank of any unreimbursed drawing under the Letter of Credit, or other obligations owing to the Bank under the Reimbursement Agreement;

FIFTH: To the payment of all fees and expenses of the Issuer, including counsel fees and expenses, if any, that are due and owing under the Bond Documents; and

SIXTH: Any remaining amounts be paid to the Company or the person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Funds on deposit in the Bond Purchase Fund shall be applied in accordance with Section 4.06 hereof.

Section 11.11. Trustee's Right to Receiver. The Trustee shall be entitled as of right to the appointment of a receiver, and the Trustee, the Registered Owners and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are permitted by law.

Section 11.12. Trustee and Registered Owners Entitled to All Remedies. It is the purpose of this Article to make available to the Trustee and Registered Owners all lawful remedies; but should any remedy herein granted be held unlawful, the Trustee and the Registered Owners shall nevertheless be entitled to every other remedy provided by law. It is further intended that, insofar as lawfully possible, the provisions of this Article shall apply to and be binding upon any trustee or receiver who may be appointed hereunder.

Section 11.13. Waiver of Past Defaults. The Registered Owners of not less than a majority in principal amount of the Outstanding Bonds may, with the written consent of the Bank, on behalf of the Registered Owners of all the Bonds waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of, premium, if any, or interest on, or the Purchase Price of, any Bond, or

(2) in respect of a covenant or provision hereof which under Article XV cannot be modified or amended without the consent of the Registered Owner of each Outstanding Bond.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 11.14. Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel) and the Registered Owners allowed in any judicial proceedings relative to the Company (or any other obligor upon the Bonds), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Registered Owner to make such payments to the Trustee, as administrative expenses associated with any such proceeding and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owner to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 12.11 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 12.11 hereof out of the estate in any such proceeding shall be denied for any reason, payment of the same, subject to Section 11.10, shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Registered Owners may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Registered Owner any plan of reorganization, arrangement, adjustment or composition affecting the Registered Owner or the rights of any Registered Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Registered Owner in any such proceeding.

ARTICLE XII

THE TRUSTEE

Section 12.01. Certain Duties and Responsibilities of Trustee.

(a) The Trustee accepts the trusts hereby created and agrees to perform the duties herein required of it upon the terms and conditions hereof and hereby acknowledges receipt of an executed copy of the Agreement and agrees to perform the duties therein required of it upon the terms and conditions thereof. The Trustee shall have the right, power and authority, at all times, to do all things not inconsistent with the express provisions of this Indenture which it may deem necessary or advisable in order to: (i) enforce the provisions of this Indenture, (ii) take any action with respect to any Event of Default, (iii) institute, appear in or defend any suit or other proceeding with respect to an Event of Default, or (iv) protect the interests of the Registered Owners of any Outstanding Bonds. The Trustee shall be responsible only for performing those duties of the Trustee specifically provided for herein and no implied covenants, duties or liabilities shall be read into this Indenture against the Trustee. In addition to the duties set forth above the Trustee shall:

(i) hold all sums delivered to it by the Company for the payment of principal, premium, if any, and interest on the Bonds in trust for the benefit of the Registered Owners until such sums shall be paid to such Registered Owners or otherwise disposed of as herein provided;

(ii) except as otherwise permitted hereby, hold all Bonds tendered to it hereunder in trust for the benefit of the respective Registered Owners until monies representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Registered Owners;

(iii) hold all monies delivered to it hereunder for the purchase of Bonds in trust for the benefit of the Person or entity which shall have so delivered such monies until the Bonds purchased with such monies shall have been delivered to or for the account of such Person or until otherwise disposed of as provided herein; and

(iv) keep such books and records with respect to the Bonds as shall be consistent with prudent industry practice (including specifically the Bond registration books) at its principal office and make such books and records available for inspection by the parties hereto, the Company and the Remarketing Agent during its regular business hours.

(b) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, except as provided in the next succeeding sentence in respect of the period during the continuance of an Event of Default, the Trustee shall not be liable for any action reasonably taken or omitted to be taken by it in good faith and believed by it to be within the discretion or power conferred upon it hereby, or be responsible other than for its own negligence or willful misconduct. In case an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee has been notified as provided in Section 12.03(h) or of which it is deemed to have notice pursuant to such Section, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise under the circumstances in the conduct of his own affairs.

(c) The Trustee shall not be required to give any bond or surety in respect of the execution of its rights and duties under this Indenture.

(d) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(i) this subsection shall not be construed to limit the effect of subsection (a) or (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by its officers, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction of the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds permitted to be given by them under this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless repayment of such funds or adequate indemnity, satisfactory to the Trustee, against such risk or liability is not assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 12.02. Notice if Default Occurs or Notice of Taxability Occurs. Within 45 days after the occurrence of any default hereunder of which the Trustee has been notified as provided in Section 12.03(h) or of which it is deemed to have notice pursuant to such Section, the Trustee shall give to the parties to the Financing Documents, the Remarketing Agent and the Registered Owners notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, in the case of a default of the character described in Section 11.01(a)(iii) or (iv), the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interest of the Registered Owners; and provided, further, that in the case of any default of the character described in Section 11.01(a)(iii) or (iv) no such notice to Registered Owners shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default. The Trustee shall also give to the parties to the Financing Documents, the Bank and the Registered Owners notice of receipt by it of any notification from the Internal Revenue Service that the interest on the Bonds is, or may be, subject to federal income taxation.

Section 12.03. Certain Rights of Trustee. Except as otherwise provided in Section 12.01:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, telephone call, facsimile transmission, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed, made or presented by the proper party or parties and may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of the statements and opinions contained therein and the Trustee need not investigate any fact or matter stated in any such documents;

(b) any request or direction of the Issuer, the Bank or the Company mentioned herein shall be sufficiently evidenced by a writing signed by an Issuer Representative, an

authorized officer of the Bank or an Authorized Company Representative, as the case may be, and any resolution of the Issuer may be sufficiently evidenced by a copy of such resolution certified by an officer of the Issuer;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon a certificate of an Issuer Representative or Authorized Company Representative;

(d) before the Trustee acts or refrains from acting, the Trustee may consult with counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) with the exception of drawings under the Letter of Credit, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Registered Owners pursuant to this Indenture, unless such Registered Owners shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon reasonable notice and during regular business hours, to examine the books, records and premises of the Issuer or the Company personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or indirectly or by or through agents, attorneys, custodians or nominees and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodian, or nominee appointed with due care by it hereunder;

(h) the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder or under any Financing Document unless a Responsible Officer of the Trustee shall be specifically notified of such default in writing by the Issuer, the Bank, the Company or by any Owner of the Outstanding Bonds, and in the absence of such notice the Trustee may conclusively assume that there is no default; provided, however, that the Trustee shall be required to take and be deemed to have notice of its failure to receive the monies necessary to make payments when due of Debt Service and Purchase Price Payments;

(i) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with securities laws in connection with issuance and sale of the Bonds;

(j) except as otherwise expressly provided by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to the Registered Owner of any Bond or to the Company or any other Person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish same unless obligated or required to do so by express provisions hereof;

(k) in acting or omitting to act pursuant to the provisions of the Agreement, the Trustee shall be entitled to all of the rights and immunities accorded to it under this Indenture, including but not limited to those set out in this Article XII; and

(l) the Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture;

(m) money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required herein or by law, and the Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company;

(n) in no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any such investment prior to its stated maturity or the failure of the party directing such investment to provide timely written investment direction. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction; and

(o) in the event that the Trustee is also acting as Paying Agent, Remarketing Agent, transfer agent or registrar hereunder, the rights and protections afforded to the Trustee pursuant to this Article XII shall also be afforded to such Paying Agent, Remarketing Agent, transfer agent or registrar.

Section 12.04. Not Responsible for Recitals or Issuance of Bonds, etc. The Trustee assumes no responsibility for the correctness of the recitals contained herein or in the Bonds, except the certificate of authentication signed on behalf of the Trustee. The Trustee makes no representations as to the validity or sufficiency of this Indenture or any other Financing Document, except that the Trustee represents that this Indenture has been duly authorized, executed and delivered by the Trustee and represents, based on advice of counsel, that the Indenture constitutes a legal, valid and binding obligation of the Trustee in accordance with the terms hereof, except as its enforceability may be subject to (i) the exercise of judicial discretion in accordance with general equitable principles; and (ii) applicable liquidation, conservatorship,

receivership, bankruptcy, insolvency, reorganization, moratorium, rearrangement and other laws applicable to state banks or for the relief of debtors generally heretofore or hereafter enacted to the extent that the same may be constitutionally applied. Further, the Trustee makes no representations as to the validity or sufficiency of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer or the Company of Bonds or, upon disbursement from the Funds created herein, the proceeds thereof.

The Trustee shall have no responsibility with respect to compliance by the Issuer or the Company with (i) Section 148 of the Code or (ii) any covenant contained in this Indenture or the Agreement regarding the yields on investments, other than to comply with the specific provisions of this Indenture and the Agreement and with specific written directions of the Company or the Issuer as may be provided for in this Indenture or in the Agreement. Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture or the Agreement, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof or thereof required as a condition of such action which is deemed desirable by the Trustee for the purpose of establishing the right of the Issuer or the Company to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

Section 12.05. **May Hold Bonds**. The Trustee or any other agent of the Issuer or the Company, in its individual or any other capacity, may become the owner of Bonds and may otherwise deal with the Issuer or the Company with the same rights it would have if it were not Trustee or such other agent.

Section 12.06. **Money Held in Trust**. Except as provided in Section 6.06 hereof, all money held in the Debt Service Fund under any provision of this Indenture shall be held in trust for the benefit of the Registered Owners but, except as provided in Article XVI of this Indenture, need not be segregated from other funds held in trust under this Indenture by the Trustee, but shall be segregated at all times from all funds of the Issuer or the Trustee not held by the Trustee under this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise provided in this Indenture.

Section 12.07. **Corporate Trustee Required; Eligibility**. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state that is either a trust company or a bank, authorized under such laws to exercise trust powers, having a combined capital, surplus and undivided profits of at least $50,000,000, subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 12.08. Resignation and Removal of Trustee; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 12.09 of this Indenture.

(b) The Trustee may resign at any time by giving written notice thereof to the Issuer, the Company, the Bank and the Remarketing Agent. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds, by a written request for removal delivered to the Trustee, the Issuer, the Company, the Bank and the Remarketing Agent.

(d) If at any time:

(i) the Trustee shall cease to be eligible under Section 12.07 of this Indenture or under applicable law and shall fail to resign after written request therefor by any party to a Financing Document or by a Registered Owner who has been a bona fide Registered Owner for at least six months, or

(ii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company or the Issuer may remove the Trustee, or (y) any Registered Owner who has been a bona fide Registered Owner for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. If a successor Trustee has not been appointed within 30 days of the removal of the Trustee, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer, at the direction of the Company, shall promptly appoint a successor Trustee. If, within one year after the occurrence of such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds and notice of acceptance of such appointment is delivered to the parties to the Financing Documents, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer. If no

successor Trustee shall have been so appointed by the Issuer or the Registered Owners and accepted appointment in the manner hereinafter provided, any Registered Owner who has been a bona fide Registered Owner for at least six months may, on behalf of himself and all other Registered Owners similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The successor Trustee shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by causing to be mailed, at the expense of the Company, written notice of such event to the Registered Owners and to the parties to the Financing Documents and the Remarketing Agent. Each notice shall include the name of the successor Trustee and the address of its principal office.

Section 12.09. Acceptance of Appointment by Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Company, the Remarketing Agent and the retiring Trustee, an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment in full of all of its charges and expenses due and owing hereunder, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder including the Letter of Credit. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be eligible under this Article.

Section 12.10. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 12.11. Fees, Charges and Expenses of Trustee. Pursuant to the provisions of Sections 4.2(c) and 4.2(d) of the Agreement, the Trustee, its officers, directors, agents and employees shall be entitled to indemnification and to be paid by the Company reasonable compensation for its services rendered hereunder and to reimbursement for its actual out-of-pocket expenses (including reasonable fees and expenses of its counsel and agents) necessarily incurred in connection therewith. The Company may, without creating a default hereunder, contest in good faith the necessity for and the reasonableness of any such services and expenses. As security for the performance of the obligations of the Company to the Trustee under Sections

4.2(c) and 4.2(d) of the Agreement, the Trustee shall have a lien prior to the Bonds upon all property and funds held or collected by the Trustee as such, except funds received from a drawing under the Letter of Credit or funds held in trust for the payment of principal of, premium, if any, or interest on or the Purchase Price of particular Bonds. When the Trustee incurs expenses or renders services in connection with an Event of Default as set forth in Section 11.01(a)(ii) such expenses (including the fees and expenses of its counsel and agents) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally. The obligations of the Company set forth in this Section 12.11 shall survive the payment in full of all amounts due and owing hereunder and under the Bonds, the termination and discharge of this Indenture or the earlier resignation or removal of the Trustee.

ARTICLE XIII

THE PAYING AGENT

Section 13.01. **The Paying Agent**. So long as the Bonds are Outstanding, the Trustee shall serve as Paying Agent for the Bonds.

ARTICLE XIV

THE REMARKETING AGENT

Section 14.01. **The Remarketing Agent**. The Issuer shall, at the direction of the Company, appoint the Remarketing Agent for the Bonds, subject to the conditions set forth in Section 14.02 hereof. At the request of the Company, the Issuer hereby appoints Goldman, Sachs & Co. the initial Remarketing Agent. The Remarketing Agent shall designate its principal office to the Trustee and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer and the Trustee under which the Remarketing Agent will agree to:

(a) determine the Interest Rates and, with respect to Flexible Rates, Flexible Rate Periods, and give notice of such rates and periods in accordance with Article III hereof;

(b) keep such books and records with respect to its duties as remarketing agent as shall be consistent with prudent industry practice;

(c) use its best efforts to remarket Bonds in accordance with this Indenture; and

(d) hold all moneys delivered to it hereunder for the purchase of Bonds for the benefit of the person or entity which shall have so delivered such monies until the Bonds purchased with such monies shall have been delivered to or for the account of such person or entity.

Section 14.02. Qualifications of Remarketing Agent. The Remarketing Agent shall have a capitalization of at least $100,000,000 and be authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least seven days' written notice to the Issuer, the Bank, the Company and the Trustee. The Remarketing Agent may be removed at any time at the direction of the Company, by an instrument filed with the Remarketing Agent, the Issuer, the Bank and the Trustee.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor or, if there is no successor, to the Trustee.

In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, and the Issuer shall not have appointed a successor Remarketing Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 14.02, shall ipso facto be deemed to be the Remarketing Agent for all purposes of this Indenture until the appointment by the Issuer with the consent of the Company of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to sell Bonds or determine the Interest Rate on the Bonds or to perform the duties set forth in Section 3.02 hereof.

ARTICLE XV

AMENDMENTS AND SUPPLEMENTS

Section 15.01. Amendments and Supplements Without Registered Owners' Consent. This Indenture may be amended or supplemented from time to time by the Issuer and the Trustee, without the consent of the Registered Owners by a Supplemental Indenture authorized by a certified resolution of the Issuer filed with the Trustee, for one or more of the following purposes:

(a) to add additional covenants of the Issuer or to surrender any right or power herein conferred upon the Issuer; or

(b) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provision hereof or otherwise) provision of this Indenture in such manner as shall not be inconsistent with this Indenture or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not impair the security hereof or adversely affect the interests of the Registered Owners; or

(c) to provide or modify procedures permitting Registered Owners to utilize an uncertificated system of registration for Bonds; or

(d) to modify, alter, amend, supplement or restate the Indenture in any and all respects necessary, desirable or appropriate in connection with the delivery to the Trustee of a letter of credit, liquidity facility, standby bond purchase agreement or other security arrangement obtained or provided by the Company; or

(e) to modify the provisions for Optional Redemption at the commencement of a Term Rate, with a Favorable Opinion of Bond Counsel; or

(f) to modify, alter, amend, supplement or restate the Indenture in any and all respects necessary, desirable or appropriate in order to satisfy the requirements of any rating agency which may from time to time provide a rating on the Bonds, or in order to obtain or retain such rating on the Bonds as is deemed necessary by the Company and the Remarketing Agent; or

(g) to provide for an Alternate Letter of Credit or any other credit enhancement permitted by the terms of this Indenture; or

(h) to make any other change which, in the opinion of the Trustee (which may rely upon the advice or an opinion of counsel), would not materially prejudice the rights of the Registered Owners.

Section 15.02. Amendments With Registered Owners' Consent. This Indenture may be amended from time to time by a Supplemental Indenture approved by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, that (a) no amendment shall be made which affects the rights of some but less than all of the Registered Owners of the Outstanding Bonds without the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds so affected, and (b) except as expressly authorized hereunder, no amendment which alters the interest rates on any Bonds, the maturity date, Interest Payment Dates, purchase upon tender or redemption provisions of any Bonds, this Article XV or the security provisions hereunder may be made without the consent of the Registered Owners of all Outstanding Bonds affected thereby.

Section 15.03. Amendments to Agreement. The Agreement may be supplemented or amended by written agreement of the Issuer and the Company with the consent of the Trustee; provided that no supplement or amendment may be made which would adversely affect the rights of the Registered Owners without the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided further, that no such supplement or amendment may be made which would adversely affect the rights of the Registered Owners of some but less than all Outstanding Bonds without the consent of the Registered Owners of a majority in aggregate principal amount of the Bonds so affected; and no supplement or amendment may be made which would (i) decrease the amounts payable under the Agreement; (ii) change the date of payment or prepayment provisions under the Agreement; or (iii) change the amendment provisions of the Agreement, in each case without the consent of all of the Registered Owners of the Bonds adversely affected thereby, and provided further that the Agreement may be amended by written agreement of the Issuer and the Company without the

consent of the Trustee or the Registered Owners in order to make conforming changes with respect to amendments made to this Indenture pursuant to Section 15.01(e), (f) and (g).

Section 15.04. Reserved.

Section 15.05. Other Matters Relating to Amendments and Supplements. The Trustee shall not be obligated to enter into or consent to any Supplemental Indenture or any amendment to the Agreement which affects the rights, duties, liabilities and immunities of the Trustee under this Indenture or otherwise. Before the Issuer and the Trustee shall enter into any Supplemental Indenture or before the Trustee shall consent to any amendment to the Agreement pursuant to this Article XV, there shall have been delivered to the Trustee an opinion of counsel stating that such Supplemental Indenture or amendment is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer or the Company, as the case may be, in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article XV, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Registered Owners of the Bonds then Outstanding shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments. In addition, no amendment or supplement to the Indenture shall become effective until signed by the Chairman or Vice Chairman of the Issuer or other officer designated by the Board of Directors of the Issuer and until the Trustee has received the written approval of such instrument from the Authorized Company Representative.

Section 15.06. Consent of Bank. Notwithstanding anything herein contained, so long as a Letter of Credit is held by the Trustee, no supplement or amendment shall be made to the Indenture or the Agreement without the prior written consent of the Bank.

ARTICLE XVI

DEFEASANCE

Section 16.01. Defeasance. When interest on, and principal or redemption price (as the case may be) of, and Purchase Price (if any) of all Bonds issued hereunder have been paid, or there shall have been deposited with the Trustee (provided that if the Bonds then bear interest at a Daily Rate or a Weekly Rate the Trustee shall have received written confirmation from each Rating Service that such deposit will not result in a withdrawal or downgrade of any credit rating) an amount, evidenced by moneys or non-callable Government Obligations the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the earlier of the maturity date or date fixed for redemption thereof or to any date upon which the Bonds could or must be tendered for purchase, as well as all other sums payable hereunder by the Issuer, the right, title and interest of the Trustee under the Indenture shall thereupon cease and the Trustee, on demand of the Issuer at the request of the Company, shall release the lien of this Indenture and shall execute such documents to evidence such release as may be reasonably

required by the Issuer and, after paying any remaining amounts owed to the Issuer (as evidenced by a certificate of an Issuer Representative), the Trustee shall turn over to the Bank such amount; if any, as is certified in writing by the Bank to the Trustee to be owed to the Bank pursuant to the Reimbursement Agreement, and then to the Company, the Issuer or such other person or body as may be entitled to receive the same (as evidenced by a certificate of an Authorized Company Representative) all balances remaining in any funds hereunder. Notwithstanding anything to the contrary contained herein, any defeasance and discharge hereunder shall not be deemed to release the Trustee from its obligations hereunder to register and transfer Bonds or to act as paying agent for the Bonds until the date all the Bonds are scheduled to be paid. In addition, such defeasance shall not terminate the obligations of the Issuer under Section 8.02, the Company under Section 12.11, the Company and the Trustee under Section 6.04, the Issuer, the Company and the Trustee under Section 9.01(b) or the immunities and protections of the Trustee hereunder.

Section 16.02. Deposit of Funds for Payment of Bonds.

(a) If there are deposited with the Trustee moneys or Government Obligations sufficient to pay the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise (including a mandatory or optional tender for purchase), together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on such due date and all liability of the Issuer with respect to such Bond or Bonds shall likewise cease, except as provided in subsection (b) below; provided that the Trustee shall have received an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion from gross income of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of the Code; and provided, further, that if a Letter of Credit is then held by the Trustee, such payment and any payment of the purchase price of Bonds pursuant to Section 4.01 or 4.02, as applicable, shall be made only from proceeds of a drawings under the Letter of Credit deposited directly into the Letter of Credit Debt Service Account or the Letter of Credit Purchase Account, as applicable, or the Company shall have caused to be delivered to the Trustee and the Rating Service an opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that any such payment and the payment of the purchase price of any Bonds pursuant to Section 4.01 or 4.02 will not be considered an avoidable "preferential transfer" by the Company or the Issuer under Section 547 of the United States Bankruptcy Code in the event a bankruptcy case under the United States Bankruptcy Code by the Issuer or by or against the Company or any Affiliate, as debtor. Thereafter such Bond or Bonds shall be deemed not to be Outstanding hereunder and the Registered Owner or Registered Owners of such Bond or Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee shall hold such funds in trust for such Registered Owner or Registered Owners.

(b) Moneys deposited with the Trustee pursuant to Section 16.01 or 16.02(a) hereof may be invested at the written direction of the Company in Government Obligations maturing as provided in Section 16.01 or Section 16.02(a), and any such moneys and any moneys derived from any Government Obligations deposited under this Article XVI which remain unclaimed two years after the date payment thereof becomes due shall, upon written request of the Company, if the Company is not at the time to the actual knowledge of a Responsible Officer of

the Trustee (evidenced to the Trustee as provided in Section 12.03(h)) in default with respect to any covenant contained in the Financing Documents, be paid to the Company; and the Registered Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Company; provided, however, that the Trustee, before making payment to the Company, may, at the expense of the Company, cause a notice to be published stating that the moneys remaining unclaimed will be returned to the Company after a specified date, such notice to be published in a newspaper or newspapers published at least once a day, six days a week, and generally circulated in the City of New York, New York. All payments made hereunder shall be subject to all applicable unclaimed property or similar laws of the State. Unclaimed moneys held under this Section shall not be invested.

(c) Following the deposit of moneys as provided in this Section and Section 16.01 the current Interest Rate Period may not be converted to another Interest Rate Period and the Remarketing Agent shall not remarket any Bonds tendered for purchase.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01. Limitations on Recourse; Immunity of Certain Persons. No recourse shall be had for any claim based on this Indenture or the Bonds against any past, present or future Indemnified Party, either directly or through the Issuer or any successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability and all such claims being hereby expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and the issuance of the Bonds. The Bonds are payable solely from the Pledged Revenues hereunder and other monies held by the Trustee hereunder for such purpose. The Issuer shall be conclusively deemed to have complied with all of its covenants and other obligations hereunder, including but not limited to those set forth in Articles V, VI and IX hereof, by virtue of the covenants of the Company contained in the Agreement (excepting only any approvals or consents permitted or required to be given by the Issuer hereunder, and any exceptions to the performance by the Company of the Issuer's covenants and other obligations hereunder, as may be contained in the Agreement). However, nothing contained in the Agreement shall prevent the Issuer from time to time, in its discretion, from performing any such covenants or other obligations. The Issuer shall have no liability for any failure to fulfill, or breach by the Company of, the Company's obligations under the Bonds, this Indenture, the Agreement, or otherwise, including without limitation the Company's obligation to fulfill the Issuer's covenants and other obligations under this Indenture.

Section 17.02. No Rights Conferred on Others. Nothing herein contained shall confer any right upon any person other than the parties hereto and the Registered Owners of the Bonds.

Section 17.03. Illegal, etc. Provisions Disregarded. If any term or provision of this Indenture or the Bonds or the application thereof for any reason or circumstances shall to any extent be held invalid or unenforceable, the remaining provisions or the application of such term

or provision to persons and situations other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision hereof and thereof shall be valid and enforced to the fullest extent permitted by law.

Section 17.04. Substitute Publication of Notice. If for any reason it shall be impracticable to make publication of any notice required hereby in a newspaper or newspapers, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Section 17.05. Mailed Notice. Except as otherwise expressly provided herein, all notices required or authorized to be given to the Company, the Issuer, the Trustee and the Remarketing Agent, pursuant to this Indenture shall be in writing and shall be sent by registered or certified mail, or overnight mail, postage prepaid to the following addresses:

(a) to the Company, to:

White Oak Semiconductor Limited Partnership
6000 Technology Boulevard
Sandston, Virginia 23150
Attention: Mr. Thomas Seifert
Ms. Miriam Martinez

(b) to the Issuer, to:

Economic Development Authority of Henrico County, Virginia
8011 Villa Park Drive
Suite 160, B Building
Richmond, Virginia 23228-6501
Attention: Chairman

With a copy to:

Office of the County Attorney for the
County of Henrico, Virginia
P.O. Box 27032
Richmond, Virginia 23273-7032

(c) to the Trustee, to:

SunTrust Bank, a Georgia banking corporation trading as Crestar Bank
919 East Main Street, 10th Floor
Richmond, Virginia 23219
Attention: Corporate Trust Administration

(d) to the Remarketing Agent, to:

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
Attention: Municipal Note Trading Desk

(e) to the Rating Agency, to:

Standard & Poor's Rating Group
55 Water Street
New York, New York 10041-0003
Attention: Letter of Credit Surveillance Group/Bonds
Telephone: (212) 438-2000
Fax: (212) 438-7321

Moody's Investors Service
99 Church Street
New York, New York 10007
Attention: Structured Finance Dept. - Fully Supported Group
Telephone: (212) 553-1619
Fax: (212) 553-1066

(f) to the Bank, to:

Citibank, N.A.
399 Park Avenue, 8th Floor
New York, New York 10043
Attention: William Drewes
Telephone: (212) 559-6378
Fax: (212) 793-3053

or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof given as set forth above.

Section 17.06. Rating Service Notice. Each Rating Service then maintaining a credit rating on the Bonds shall receive written notice of each of the following events: (a) a change in the entity serving as the Trustee or the Remarketing Agent; (b) any amendment or supplement to Financing Documents; (c) any extension of the Expiration Date or any substitution or expiration or termination of the Letter of Credit; (d) any conversion of Bonds from one Rate Period to another; (e) any redemption or defeasance of Bonds; and (f) any mandatory tender or acceleration of the Bonds.

Section 17.07. Governing Law. This Indenture shall be governed, in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and of the State.

Section 17.08. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Issuer or by or on behalf of the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 17.09. Action by Company. Any requirement imposed by this Indenture or the Agreement on the Issuer may, if not performed by the Issuer, be performed by the Company and such performance by the Company shall constitute compliance with the requirements of this Indenture or the Agreement as if performed by the Issuer.

Section 17.10. Headings and Subheadings for Convenience Only. The table of contents and descriptive headings and subheadings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17.11. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 17.12. Discharge of Liability to Issuer Directors. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any director, officer, agent (including, but not limited to its legal counsel), or employee of the Issuer in his individual capacity. No recourse shall be had for the payment of the principal or Purchase Price of, the interest on, or the premium (if any) payable upon the purchase or redemption of, any Bonds or for any claim based thereon or on this Indenture against any director, officer, agent or employee, past, present or future, of the Issuer as such, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise, all such liability (if any) of such directors, officers, agents or employees being released as a condition of and as consideration for the execution of this Indenture and the issuance of the Bonds.

It is expressly agreed and understood that no personal liability whatsoever shall attach to or shall be incurred by the officers, directors, employees or agents, past, present or future, of the Issuer, or any of them, because of such indebtedness or by reason of any obligation, covenant or agreement contained herein, in the Agreement or the Bonds or implied therefrom.

IN WITNESS WHEREOF, the Issuer has caused this Indenture to be executed by its Chairman or Vice Chairman duly authorized, and its seal to be hereunto affixed and attested by its Secretary or Assistant Secretary and the Trustee has caused this Indenture to be executed by one of its authorized officers, all as of the day and year first above written.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

By: _____
Chairman

ATTEST:

By: _____
Assistant Secretary

(SEAL)

SUNTRUST BANK, a Georgia banking corporation trading as Crestar Bank, as Trustee

By: _____
Authorized Officer

EXHIBIT A

Form of Bond

[FACE OF BOND]

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIME AND IN THE MANNER HEREINAFTER DESCRIBED, AND MUST BE SO TENDERED OR WILL BE DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES AS DESCRIBED HEREIN.

No. R-_____ $_____

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
EXEMPT FACILITY REVENUE REFUNDING BOND
(WHITE OAK SEMICONDUCTOR LIMITED PARTNERSHIP PROJECT)
SERIES 2000

MATURITY DATE	ISSUE DATE	CUSIP
October 1, 2027	January 28, 2000	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT DOLLARS

Last Day of Flexible Rate Period* _____ Interest Rate* _____

Number of Days in Period* _____ Interest Due at End of Period* _____

Type of Rate Period if other than Flexible _____

*Complete only for Bonds accruing Interest at Flexible Rates

THE ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA (the "Issuer"), a political subdivision of the Commonwealth of Virginia, promises to pay to the registered owner named above, or registered assigns, but solely from the sources hereinafter mentioned, on the Maturity Date specified above, unless this Bond shall have been previously called for redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, the Principal Amount shown above and to pay interest thereon, but solely from the sources hereinafter referred to, at the rate determined as herein provided from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or from the date of authentication hereof if such date is on an Interest Payment Date to which interest has been paid or duly provided for, or from the Issue Date specified above if no interest has been paid or duly provided for, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal or redemption price of and interest on this Bond may be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public or private debts. The principal or redemption price of this Bond (or of a portion of this Bond, in the case of a partial redemption) is payable to the registered owner hereof in immediately available funds upon presentation and surrender hereof at the principal corporate trust office of SunTrust Bank, a Georgia banking corporation trading as Crestar Bank or its successor, as Trustee (the "Trustee"), under the Trust Indenture dated as of January 1, 2000 (the "Indenture") securing the Series of Bonds of which this Bond is one. Interest shall be paid to the registered owner hereof whose name appears on the registration books kept by the Trustee as of the close of business on the applicable regular or special record date by check mailed to such registered owner, provided that interest for any Flexible, Daily or Weekly Rate Period (as described herein) shall be paid in immediately available funds by wire transfer to a bank within the continental United States or by deposit to the account of the registered owner hereof if such account is maintained by the Trustee as specified by the Remarketing Agent (as defined below) or as otherwise directed by the registered owner hereof prior to the time of payment with respect to Bonds accruing interest at a Flexible Rate or five Business Days prior to the Interest Payment Date with respect to Bonds accruing interest at Daily or Weekly Rates; provided further that interest accrued during any Flexible Rate Period and at the maturity of this Bond shall be paid only upon delivery of this Bond. The regular record date for any Interest Payment Date shall be the close of business on the day immediately preceding the Interest Payment Date, except that, while this Bond accrues interest at the Term Rates (as described herein), the regular record date shall be the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date. If sufficient funds for the payment of interest becoming due on any Interest Payment Date are not on deposit with the Trustee on such date, the Trustee may establish a special interest payment date on which such overdue interest shall be paid and a special record date relating thereto. This Bond is registered as to both principal and interest on the registration books kept with the Trustee and may be transferred or exchanged, subject to the further conditions specified in the Indenture, only upon surrender hereof at the principal corporate trust office of the Trustee. This Bond is payable solely from the sources hereinafter mentioned.

This Bond shall be purchased on demand of the registered owner hereof, as hereinafter described.

The Bonds are limited obligations of the Issuer, payable by the Issuer solely out of the revenues derived from or in connection with the Agreement (hereinafter defined), including all sums deposited from time to time pursuant to the Agreement in the Debt Service Fund established under the Indenture, and in certain events out of amounts secured through the exercise of the remedies provided in the Agreement and the Indenture upon occurrence of an event of default under the Agreement and the Indenture. THE BONDS AND THE PREMIUM, IF ANY, AND THE INTEREST ON THEM WILL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS INCLUDING THE ISSUER AND THE COUNTY. NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER AND THE COUNTY, IS OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT TO THEM EXCEPT FROM REVENUES PLEDGED FOR SUCH PURPOSE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE ISSUER AND THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT TO THEM. THE ISSUER HAS NO TAXING POWER.

Except as otherwise provided in the Indenture, this Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by execution by the Trustee of the certificate of authentication inscribed hereon.

[THE TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE SIDE HEREOF AND FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.]

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond and the Bonds is duly authorized by law; that all acts, conditions and things required to exist and necessary to be done or performed precedent to and in the issuance of this Bond and the Bonds to render the same lawful, valid and binding have been properly done and performed and have happened in regular and due time, form and manner as required by law; that all acts, conditions and things necessary to be done or performed by the Issuer or to have happened precedent to and in the execution and delivery of the Indenture and the Agreement have been done and performed and have happened in regular and due form as required by law; that due provision has been made for the payment of the principal of and premium, if any, and interest on this Bond and the Bonds by irrevocably assigning the described revenues as provided in the Indenture; that payment in full for the Bonds has been received; and that the issuance of the Bonds does not contravene or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed with the manual or facsimile signature of its Chairman or Vice Chairman and its official seal to be impressed, lithographed or imprinted hereon, and attested with the manual or facsimile signature of its Assistant Secretary.

Dated: _____

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

(SEAL)

By: _____
Chairman

ATTEST:

_____
Assistant Secretary

FORM OF AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

This Bond is one of the Exempt Facility Revenue Refunding Bonds (White Oak Semiconductor Limited Partnership Project), Series 2000 of the Economic Development Authority of Henrico County, Virginia described in the within-mentioned Indenture.

SunTrust Bank, a Georgia banking corporation trading as
Crestar Bank, as Trustee

By:_____
Authorized Signatory

Date of Authentication:_____

(TEXT OF REVERSE SIDE OF BOND)

This bond is one of an authorized series of bonds of the Issuer in the initial aggregate principal amount of $33,688,000, designated as Economic Development Authority of Henrico County, Virginia, Exempt Facility Revenue Refunding Bonds (White Oak Semiconductor Limited Partnership Project), Series 2000 (the "Bonds") authorized by a resolution of the Board of Directors of the Issuer, and issued under and secured by the Indenture in full conformity with the Constitution and laws of the State. The Bonds are issued for the purpose of providing funds to refund the outstanding principal balance of certain prior bonds, the proceeds of which financed the costs of acquisition, construction and improvement of certain sewage and solid waste disposal facilities (the "Project") for a fully integrated microelectronics device manufacturing facility (the "Plant") of White Oak Semiconductor Limited Partnership, a Delaware limited partnership (the "Company"), located in Henrico County, Virginia (the "County"). Pursuant to the Financing Agreement (the "Agreement") dated as of January 1, 2000 between the Issuer and the Company, the Company has agreed to make Debt Service Payments to the Trustee, on behalf of the Issuer, in amounts and at the times sufficient to pay the principal of, premium, if any, and interest on the Bonds. The Company has also agreed to pay the Purchase Price of all Bonds tendered or deemed tendered for purchase pursuant to the terms of the Indenture.

The Company has caused to be issued and delivered to the Trustee by Citibank, N.A., an irrevocable letter of credit pursuant to which the Trustee is authorized, subject to the terms and conditions thereof, to draw up to (a) an amount equal to the principal amount of the Bonds (i) to enable the Trustee to pay the principal amount of the Bonds when due at maturity or upon redemption or acceleration and (ii) to enable the Trustee to pay the portion of the purchase price

of Bonds tendered to it and not remarketed corresponding to the principal amount of such Bonds, plus (b) an amount equal to 45 days accrued interest on the outstanding Bonds at 10% per annum, (i) to enable the Trustee to pay interest on the Bonds when due and (ii) to enable the Trustee to pay the portion of the purchase price of Bonds tendered to it and not remarketed corresponding to the accrued interest on such Bonds. Such irrevocable letter of credit or any alternate letter of credit delivered to the Trustee in accordance with the terms of the Indenture is herein called the "Letter of Credit". As used herein, the term "Bank" shall mean Citibank, N.A., as issuer of the Letter of Credit or the bank issuing any alternate letter of credit. The Letter of Credit expires on January 27, 2001, unless terminated earlier pursuant to its terms or extended. Subject to the provisions of the Indenture, the Company may, but is not required to, cause the Letter of Credit to be extended or replaced with an alternate letter of credit. The Bank is under no obligation to extend the Letter of Credit. Unless the Letter of Credit is extended, this Bond will become subject to mandatory tender for purchase, as described below. The Letter of Credit is being issued pursuant to a Reimbursement Agreement (as the same may be amended or replaced, the "Reimbursement Agreement") between the Bank and the parent corporation of the Company. The Company is obligated, among other things, to reimburse the Bank for all drawings under the Letter of Credit.

Reference is made to: (a) the Indenture, the Agreement and the Letter of Credit for provisions concerning the rights of the registered owners and the rights and obligations of the Issuer, the Bank, the Company and the Trustee; and (b) the Remarketing Agreement pursuant to which Goldman, Sachs & Co. is serving as remarketing agent for the purposes set forth in the Indenture (such agent or its successors being herein referred to as the "Remarketing Agent"). The acceptance of the terms and conditions of the foregoing documents (including amplifications and qualifications of the provisions hereof), each of which is on file at the principal corporate trust office of the Trustee, is an explicit and material part of the consideration of the Issuer's issuance hereof, and each registered owner hereof by acceptance of this Bond accepts and assents to all such terms and conditions as if fully set forth herein.

Capitalized terms used in this Bond which are not defined herein but which are defined in the Indenture shall have the respective meanings set forth in the Indenture.

INTEREST ON BONDS

The Bonds shall initially accrue interest at the Weekly Rate herein described, and will be subject to conversion as herein provided. The rate of interest applicable to any Rate Period shall be determined in accordance with the applicable provisions of the Indenture. All computations of interest shall be based on 365- or 366-day years for the actual number of days elapsed; except for interest at Term Rates, which shall be computed on the basis of 360-day years of twelve 30-day months, and interest at Flexible and Weekly Rates, which shall be computed on the basis of a 365-or 366-day year, as appropriate, for the actual number of days elapsed, based on the year in which such rate period commences.

"Rate Period" shall mean, when used with respect to any particular rate of interest determined as hereinafter provided, the period from and including the effective date of such rate

to (but not including) the effective date of the rate of interest next determined as hereinafter provided.

The Bonds may accrue interest at Interest Rates effective for periods (each an "Interest Rate Period") selected by the Company, or, under the circumstances set out in the Indenture, by the Remarketing Agent from time to time. The Interest Rates for the Bonds, which will be determined by the Remarketing Agent, are as follows:

Flexible Rate.

While the Bonds accrue interest at Flexible Rates, the interest rate for each particular Bond will be determined by the Remarketing Agent and will remain in effect from and including the commencement date of the Flexible Rate Period selected for that Bond by the Remarketing Agent to, but not including, the last date thereof. While the Bonds are in the Flexible Rate mode, Bonds may have successive Flexible Rate Periods of any duration up to 270 days each (or such lower maximum number as is then permitted under the Indenture) and any Bond may accrue interest at a rate and for a period different from any other Bond.

Daily Rate.

While the Bonds accrue interest at a Daily Rate, the interest rate established for the Bonds will be effective from day to day until changed by the Remarketing Agent.

Weekly Rate.

While the Bonds accrue interest at a Weekly Rate, the rate of interest on the Bonds will be determined weekly by the Remarketing Agent to be effective for a seven day period commencing on Wednesday of the week of such determination. (The length of the period, the day of commencement and the last day of the period may vary in the event of a conversion to or from a Weekly Rate.)

Term Rate.

While the Bonds accrue interest at a Term Rate, the interest rate will be determined by the Remarketing Agent to remain in effect for a term designated by the Company as provided in the Indenture.

The interest rate mode established will remain in effect until changed by the Company, in accordance with the Indenture. During each Rate Period, the rate of interest on the Bonds shall be that rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value as of the date of determination equal to the principal amount thereof, taking into account prevailing market conditions, and with respect to Flexible Rates, the Remarketing Agent shall determine the Flexible Rate and the Flexible Rate Period for each Bond at such rate and for such period as it deems advisable in order to minimize the net interest cost on the Bonds, taking into account prevailing market conditions.

Bonds which accrue interest at Flexible Rates will be issued in the denominations of $100,000 and any integral multiples of $1,000 in excess thereof. Bonds which accrue interest at a Daily or Weekly Rate will be issued in denominations of $100,000 and whole multiples thereof. Bonds which accrue interest at a Term Rate will be issued in the denomination of $5,000 and whole multiples thereof.

OPTIONAL TENDERS

While this Bond accrues interest at a Daily, Weekly or Term Rate, the registered owner of this Bond has the right to tender this Bond for purchase at the principal amount hereof plus accrued interest as follows: (i) during a Daily Rate Period on any Business Day upon personal or telephone notice to the Trustee prior to 11:00 a.m., New York City time, on such Business Day, (ii) during a Weekly Rate Period on any Business Day upon written notice to the Trustee on or prior to 5:00 p.m., New York City time, on any Business Day at least seven days prior to such Business Day or (iii) during a Term Rate Period on the first day of the next succeeding Rate Period upon written notice to the Trustee on or prior to 5:00 p.m., New York City time, on any Business Day at least seven days prior to such day.

MANDATORY TENDERS

While this Bond accrues interest at a Flexible Rate, this Bond is subject to mandatory tender on the day after the last day of each Flexible Rate Period applicable to this Bond. While this Bond accrues interest at Daily, Weekly or Term Rates, this Bond is subject to mandatory tender on the effective date of a change from one interest rate mode to a different interest rate mode (except for changes between a Daily Rate and Weekly Rate) or of a change from a Term Rate Period to a Term Rate Period of different duration. This Bond is subject to mandatory tender on the Interest Payment Date not less than 2 Business Days preceding (i) the termination of the Letter of Credit or other credit facility pursuant to the terms of Section 7.02 of the Indenture, or (ii) the Expiration Date of the Letter of Credit unless the Trustee has received notice that the Letter of Credit has been or will be extended as provided in the Indenture.

Interest on any Bond which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof, shall cease to accrue interest on the mandatory tender date, and the registered owner of such Bond shall not be entitled to any payment other than the purchase price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the purchase price of such Bond from monies held by the Trustee for such payment. On the mandatory tender date the Trustee shall authenticate and deliver substitute Bonds in lieu of such untendered Bonds.

WRITTEN NOTICE OF RATE MODE CHANGE

The Trustee shall give notice, by first class mail, to the registered owners of all Bonds of the proposed conversion from one interest rate mode to another interest rate mode at least 15 days before the proposed conversion date while the Bonds accrue interest at Flexible, Daily or

Weekly Rates at least 30 days before the proposed conversion date while the Bonds accrue interest at a Term Rate.

INTEREST PAYMENT DATES

While this Bond accrues interest at a Flexible Rate, interest is payable on the day after the last day of each Flexible Rate Period. While this Bond accrues interest at Daily or Weekly Rates, interest is payable on the first Business Day of each month. During any Term Rate Period, interest is payable semiannually on each April 1 and October 1 provided that the last Interest Payment Date for any Term Rate Period which is followed by a Flexible, Daily or Weekly Rate Period shall be the first Business Day of the sixth month following the preceding Interest Payment Date.

OPTIONAL REDEMPTION

During any Flexible, Daily or Weekly Rate Period, this Bond is subject to Optional Redemption on any Interest Payment Date at an Optional Redemption price equal to 100% of the principal amount hereof, together with accrued interest, if any. While this Bond accrues interest at a Term Rate, this Bond is subject to Optional Redemption (i) at any time on and after the dates and at the redemption prices as set forth below together with accrued interest, if any, to the redemption date and (ii) on the day after the end of each Term Rate Period at the redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date:

Length of Term Rate Period	Commencement of Redemption Period	Redemption Price
Greater than 10 years	10th anniversary of commencement of Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100%, and thereafter at 100%
Less than or equal to 10 years	Bonds not subject to optional redemption until commencement of next Term Rate Period	

The optional redemption dates and redemption prices set forth above may be changed, by a supplemental indenture approved by the Company and executed by and filed with the Trustee, provided that any such supplemental indenture shall be accompanied by a Favorable Opinion of Bond Counsel.

SPECIAL MANDATORY REDEMPTION

This Bond is subject to special mandatory redemption prior to maturity not later than 180 days after the occurrence of a Determination of Taxability (as defined in the Indenture) at a redemption price of 100% of the principal amount hereof, plus accrued interest to the redemption date. The manner of redeeming Bonds is described in detail in the Indenture.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds will be subject to extraordinary optional redemption by the Issuer, at the direction of the Company, in whole or in part at the commencement date of any Interest Rate Period], as described below, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, if one or more of the following events shall have occurred within the preceding year:

(a) The Project or the Plant shall have been damaged or destroyed to such extent that, in the opinion of the Company, (i) normal operations at the Project or the Plant are prevented or are likely to be prevented for a period of four consecutive months, or (ii) the restoration of the Project or the Plant is not economically feasible.

(b) Title to, or the temporary use of, all or substantially all of the Project or the Plant shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority which, in the opinion of the Company, is likely to result in normal operations at the Project or the Plant being prevented for a period of four consecutive months.

(c) Changes, which the Company cannot reasonably control or overcome, in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation of the Project or the Plant shall have occurred, or technological or other changes shall have occurred which, in the opinion of the Company, render uneconomic the continued operation of the Project or the Plant.

(d) Any court or administrative body shall enter a judgment, order or decree requiring cessation of all or any substantial part of operations at the Project or the Plant, to such an extent that, in the opinion of the Company, normal operations at the Project or the Plant are likely to be prevented for a period of four consecutive months.

(e) As a result of any changes in the Virginia Constitution or the Constitution of the United States of America or as a result of legislation or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Company in good faith, the Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties, or shall have been declared to be unlawful, or unreasonable burdens or excessive liabilities shall have been imposed on the Issuer or the Company, including without limitation

federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement.

DEFAULT ACCELERATION

In case an Event of Default, as defined in the Indenture, shall have occurred, the principal of all Bonds then outstanding under the Indenture may become due and payable prior to their scheduled maturity date.

GENERAL PROVISIONS

The Bonds are and will be equally and ratably secured, to the extent provided by the Indenture, by the pledge thereunder of the Debt Service Payments and other amounts payable by the Company to the Issuer under the Agreement. The Issuer has also pledged and assigned to the Trustee as security for the Bonds all other rights and interests of the Issuer under the Agreement (other than its rights to indemnification and payment of certain administrative expenses and certain other rights).

No registered owner shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default by the Registered Owners of at least 25% in principal amount of the Bonds then outstanding, (b) the registered owners of at least 25% in principal amount of the Bonds then outstanding shall have requested the Trustee, in writing, to exercise the powers granted under the Indenture or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within 60 days after receipt of such notice, request and offer of indemnity.

****

(END OF TEXT OF REVERSE SIDE OF BOND)

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____

Please insert Social Security or
Taxpayer Identification Number of Transferee

_____
/_____/

_____

(Please print or typewrite name and address, including zip code of Transferee)

_____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____

attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program.

_____

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

M&V #702893v5

APPENDIX D:
SOLUTIA INDENTURE

SOI FUNDING CORP.

(may be assumed by SOLUTIA INC.)

and

HSBC BANK USA, as Trustee

INDENTURE

Dated as of July 9, 2002

11.25% Senior Secured Notes Due 2009

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	N.A.
(b)	7.08; 7.10; 11.02
(b)(1)	7.10
(c)	N.A.
311 (a)	7.11
(b)	7.11
(c)	N.A.
312 (a)	2.06
(b)	11.03
(c)	11.03
313 (a)	7.06
(b)(1)	N.A.
(b)(2)	7.06
(c)	7.06; 11.02
(d)	7.06
314 (a)	4.06; 4.19; 11.02
(b)	N.A.
(c)(1)	11.04
(c)(2)	11.04
(c)(3)	N.A.
(d)	N.A.
(e)	11.05
(f)	N.A.
315 (a)	7.01(b)
(b)	7.05; 11.02
(c)	7.01(a)
(d)	7.01(c)
(e)	6.12
316 (a) (last sentence)	2.10
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.08
(c)	8.04
317 (a)(1)	6.09
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INDENTURE, dated as of July 9, 2002, between SOI FUNDING CORP., a Delaware corporation, as issuer ("SOI Funding"), and HSBC BANK USA, a New York banking corporation, as trustee (the "Trustee").

References herein to the "Company" refer to (i) prior to the Assumption Date SOI Funding and (ii) on and after the Assumption Date, Solutia Inc.

On and after the Assumption Date, the Notes will be Guaranteed by the Subsidiary Guarantors.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Notes.

ARTICLE ONE

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person, merging with or into or becoming a Subsidiary of such specified Person and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Acquired Disqualified Stock" means, with respect to any specified Person, Disqualified Stock of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, including, without limitation, Disqualified Stock incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person.

"Acquired Preferred Stock" means, with respect to any specified Person, Preferred Stock of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person, including, without limitation, Preferred Stock incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person.

"Additional Assets" means (a) Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary from any Person other than the Company or an Affiliate of the

Company, (b) any controlling interest or joint venture interest in another business or (c) any other asset (other than securities, cash, Cash Equivalents or other current assets) to be owned by the Company or any Restricted Subsidiary.

"Additional Notes" has the meaning set forth in Section 2.01.

"Affiliate" of any specified Person means any other Person directly or indirectly, through one or more intermediaries, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any specified Person means the possession, direct or indirect, of the power to manage or direct or cause the direction of the management and policies of such Person directly or indirectly, whether through the ownership of voting stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Affiliate Transaction" has the meaning set forth in Section 4.14.

"Agent" means any Registrar, Paying Agent, or agent for service or notices and demands.

"Agent Members" has the meaning set forth in Section 2.16.

"amend" means amend, modify, supplement, restate or amend and restate, including successively; and "amending" and "amended" have correlative meanings.

"Applicable Pari Passu Indebtedness" in respect of any asset that is the subject of an Asset Sale means (i) at a time when such asset is included in the Collateral (x) Indebtedness under Bank Obligations that is secured at such time by Collateral or (y) Pari Passu Indebtedness of the Company or its Restricted Subsidiaries that has a Stated Maturity prior to the Stated Maturity of the Notes and (ii) at a time when such asset is not included in the Collateral, any Indebtedness (a) under the Credit Facility and (b) any other Indebtedness (other than Subordinated Debt) of the Company or a Restricted Subsidiary that has a Stated Maturity prior to the Stated Maturity of the Notes.

"Asset Sale" means (i) the sale, lease, conveyance or other disposition (other than the creation of a Lien) of any assets (other than the disposition of inventory or equipment in the ordinary course of business consistent with industry practices or the disposition of Cash Equivalents) *(provided* that the sale, conveyance or other disposition of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by Section 4.08 and/or Section 5.01 and not by Section 4.12), (ii) the sale by the Company or any of its Restricted Subsidiaries of Capital Stock of any of the Company's Restricted Subsidiaries, Unrestricted Subsidiaries or Joint Ventures and (iii) the issuance by any of the Com-

pany's Restricted Subsidiaries of Capital Stock of such Restricted Subsidiary, in the case of each of the foregoing clauses (i), (ii) or (iii), whether in a single transaction or a series of related transactions (A) that has a fair market value in excess of $10 million or (B) for Net Proceeds in excess of $10 million. Notwithstanding the foregoing: (a) a transfer of assets by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to another Restricted Subsidiary *provided* that such assets (to the extent constituting Collateral) shall remain subject to the Lien of the Security Documents; (b) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary *provided* that such assets (to the extent constituting Collateral) shall remain subject to the Lien of the Security Documents; (c) Sale and Lease-Back Transactions; and (d) Restricted Payments permitted by Section 4.10 and Permitted Investments will not be deemed to be an Asset Sale.

"Asset Sale Offer" has the meaning set forth in Section 4.12.

"Assumption Date" means the date and time of the Solutia Assumption.

"Assumption Documentation" means the Supplemental Indenture, the Opinions of Counsel, the Officers' Certificate and the other documents referred to in the Escrow Agreement pursuant to which the Solutia Assumption shall occur.

"Astaris Support Agreement" means the guaranty agreement, dated September 14, 2000, made by Solutia in favor of Astaris LLC, a limited liability company organized and existing under the laws of Delaware ("Astaris"), and in favor of the lenders under the five-year credit agreement dated September 14, 2000 under which Astaris is the borrower and Bank of America, N.A. is the administrative agent, as such agreement may be modified, amended, restated or replaced; *provided* that the terms of any such modification, amendment, restatement or replacement do not materially increase Solutia's or any Restricted Subsidiary's obligations thereunder and such terms (including as to tenor) are not more onerous from a financial perspective, taken as a whole, to Solutia and the Restricted Subsidiaries.

"Attributable Debt" means, with respect to any Sale and Lease-Back Transaction, the amount determined by multiplying the greater, at the time such arrangement is entered into, of (1) the fair value of the real property subject to such arrangement (as determined by the Company) or (2) the net proceeds of the sale of such real property to the lender or investor, by a fraction of which the numerator is the unexpired initial term of the lease of such real property as of the date of determination and of which the denominator is the full initial term of such lease. Sale and Lease-Back Transactions with respect to facilities financed with Industrial Development Bonds (whether or not tax exempt) are excepted from the calculation made pursuant to this definition.

"Bank Obligations" means the Obligations of Solutia and its Restricted Subsidiaries under the Credit Facility, the Co-Generation Facility, the Astaris Support Agreement,

the Designated Letters of Credit and Hedging Obligations in respect of such Designated Letters of Credit.

"Bankruptcy Law" means Title 11 of the United States Code entitled "Bankruptcy" or any other law relating to bankruptcy, insolvency, winding up, liquidation, reorganization or relief of debtors, whether in effect on the date hereof or hereafter.

"Board of Directors" means the board of directors of Solutia or any duly authorized committee thereof.

"Business Day" or "business day" has the meaning set forth in Section 12.07.

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

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and (v) all warrants, options or other rights to acquire any item listed in (i) through (iv) of this definition.

"Cash Equivalents" means (a) United States dollars, (b) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (c) demand deposits, time deposits and certificates of deposit with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year from the date of acquisition and overnight bank deposits, in each case with any bank or trust company organized or licensed under the laws of the United States or any State thereof having capital, surplus and undivided profits in excess of $250 million, (d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (c) above, (e) commercial paper rated at least P-1 or Al-1 by Moody's or S&P, respectively, (f) investments in any U.S. dollar-denominated money market fund as defined by Rule 2a-7 of the General Rules and Regulations promulgated under the Investment Company Act of 1940 and (g) in the case of a Foreign Subsidiary, substantially similar investments denominated in foreign currencies (including similarly capitalized foreign banks).

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

(1) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of securities representing 50% or more of the voting power of all Capital Stock of Solutia; or

(2) Continuing Directors shall cease to constitute at least a majority of the directors constituting the Board of Directors; or

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Solutia and its Restricted Subsidiaries taken as a whole to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act); or

(4) Solutia consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, Solutia, in any such event pursuant to a transaction in which any of the outstanding Capital Stock of Solutia is converted into or exchanged for cash, securities or other property, other than any such transaction where the Capital Stock of Solutia outstanding immediately prior to such transaction is converted into or exchanged for Capital Stock (other than Disqualified Stock) of the surviving or transferee Person representing at least a majority of the voting power of all Capital Stock of such surviving or transferee Person immediately after giving effect to such issuance; or

(5) the adoption by the stockholders of Solutia of a plan or proposal for the liquidation or dissolution of Solutia or, prior to the Solutia Assumption, the adoption by the Company of a plan or proposal for the liquidation or dissolution, prior to the Assumption Date, of the Company.

"Change of Control Offer" has the meaning set forth in Section 4.08.

"Change of Control Payment" has the meaning set forth in Section 4.08.

"Change of Control Payment Date" has the meaning set forth in Section 4.08.

"Clearstream" has the meaning set forth in Section 2.16.

"Co-Generation Facility" means the co-generation lease facility for Solutia's co-generation facility in Pensacola, Florida, as such lease facility may be amended, restated, modified or replaced.

"Collateral" means, collectively, all of the property and assets that are from time to time subject to or required to be subject to the Liens created under the Security Documents.

"Collateral Agent" has the meaning set forth in the Security Documents.

"Collateral Trust" has the meaning set forth in the Security Documents.

"Collateral Trustee" shall have the meaning assigned to such term in the Sharing Intercreditor Agreement.

"Commission" means the Securities and Exchange Commission.

"Company" means the party named as such in the first paragraph of this Indenture and further defined in the second paragraph hereof, until a successor replaces such party pursuant to Article Five and thereafter means the successor.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period, plus in each case, without duplication:

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

(ii) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income;

(iii) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing such Consolidated Net Income; and

(iv) any non-cash charges reducing Consolidated Net Income for such period (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period); *minus*

(v) any non-cash items increasing Consolidated Net Income for such period (without duplication, excluding any reversal of a reserve for cash expenses, if the establishment of such reserve had previously decreased Consolidated Net Income),

in each case, on a consolidated basis and determined in accordance with GAAP.

Notwithstanding the foregoing, the provision for taxes on the income or profits of, and the depreciation and amortization of, a Restricted Subsidiary of the referent Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person.

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

(i) the Net Income of any Person that is not a Restricted Subsidiary shall be included only to the extent of the lesser of (x) the amount of dividends or distributions paid in cash (but not by means of a loan) to the referent Person or a Restricted Subsidiary thereof or (y) the referent Person's (or, subject to clause (ii), a Restricted Subsidiary of the referent Person's) proportionate share of the Net Income of such other Person;

(ii) the Net Income (but not loss) of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders; and

(iii) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Tangible Assets" means, as of any date, the aggregate amount of assets (less applicable reserves and other properly deductible items) of the Company and its Restricted Subsidiaries after deducting therefrom (a) all current liabilities of the Company and its Restricted Subsidiaries as of such date (excluding any such current liabilities that are, by their terms, extendible or renewable at the option of the Company or the applicable Restricted Subsidiary to a date more than 12 months after such date) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intan-

gibles, all as set forth on the most recent balance sheet of the Company and its Restricted Subsidiaries and computed in accordance with GAAP.

"Continuing Director" means, as of the date of determination, any Person who:

(i) was a member of the Board of Directors on the Issue Date; or

(ii) was nominated for election or elected to the Board of Directors with the affirmative vote of at least a majority of the Continuing Directors who were members of the Board of Directors at the time of such nomination or election.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office as of the date hereof is listed in Section 12.02.

"Covenant Defeasance" has the meaning set forth in Section 9.03.

"Credit Facility" means, prior to the Assumption Date, the Existing Credit Facility, and thereafter, one or more credit agreements to be dated as of the Assumption Date by and among Solutia, the Subsidiary Guarantors and the other parties thereto, including any related notes, instruments and agreements executed in connection therewith, as amended, restated, modified, extended, renewed, refunded, replaced or refinanced, in whole or in part, from time to time, whether or not with the same lenders or agent.

"Deadline" means August 9, 2002 or such earlier time that Solutia determines not to refinance its Credit Facility in the manner described in the Offering Memorandum.

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

"Depository" means, with respect to the Notes issued in the form of one or more Global Notes, The Depository Trust Company or another Person designated as Depository by the Company, which Person must be a clearing agency registered under the Exchange Act.

"Designated Letters of Credit" means letters of credit for the account of Solutia, which may have been issued, or may in the future be issued, by the lenders that are party to the Credit Facility (but which letters of credit are not issued pursuant to the Credit Facility), and which are or will be identified in the Security Documents.

"Disinterested Member" means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Company who (1) does not have any material direct or indirect financial interest in or with respect to such transaction or series

of related transactions and (2) is not an Affiliate, officer, director or an employee of any person (other than the Company or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"Disqualified Stock" means any Capital Stock of any Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date on which the Notes mature (or in the case of the Company only, on or prior to the earlier of the Assumption Date and the Special Mandatory Redemption Date); *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date on which the Notes mature shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Section 4.10 and Section 4.08 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required pursuant to such Sections. The "liquidation preference" of any Disqualified Stock shall be the amount payable thereon upon liquidation prior to any payment to holders of common stock or, if none, the amount payable by the issuer thereof upon maturity or mandatory redemption.

"Escrow Agreement" means the escrow and pledge agreement, dated as of July 9, 2002, among SOI Funding Corp., Solutia Inc., the Trustee and the Securities Intermediary.

"Escrow Assets" means the property of the Company held by the Securities Intermediary pursuant to the Escrow Agreement.

"Euroclear" has the meaning set forth in Section 2.16.

"Event of Default" has the meaning set forth in Section 6.01.

"Excess Proceeds" has the meaning set for in Section 4.12.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Exchange Securities" has the meaning provided in the Registration Rights Agreement.

"Existing Credit Facility" means the $800 million Amended and Restated Five Year Credit Agreement, dated as of November 23, 1999 (as the same may have been or will be amended, restated or otherwise modified), among Solutia, as borrower, the lenders from time to time party thereto, Bank of America N.A., as syndication agent, and Citibank, N.A., as administrative agent.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries in existence, and considered Indebtedness of the Company or any of its Restricted Subsidiaries, on the Issue Date, until such amounts are repaid, including all reimbursement obligations with respect to letters of credit outstanding as of the date of this Indenture.

"Existing Notes Indenture" means the indenture dated as of October 1, 1997 between Solutia and The Chase Manhattan Bank.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Company or any of its Restricted Subsidiaries or any other applicable Person incurs, assumes or redeems any Indebtedness (other than revolving credit borrowings) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption or redemption of Indebtedness or such issuance or redemption of Disqualified Stock or Preferred Stock as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of making the computation referred to above:

(i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries or any other applicable Person, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period;

(ii) the Consolidated Cash Flow and Fixed Charges attributable to operations or businesses disposed of prior to the Calculation Date shall be excluded, but, in the case of such Fixed Charges, only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date; and

(iii) if since the beginning of the four-quarter reference period any Person was designated as an Unrestricted Subsidiary or redesignated as or otherwise became a Restricted Subsidiary, such event shall be deemed to have occurred on the first day of the four-quarter reference period.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of:

(i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, determined in accordance with GAAP;

(ii) all commissions, discounts and other fees and charges incurred in respect of letters of credit or bankers' acceptance financings, determined in accordance with GAAP, and net payments or receipts (if any) pursuant to Hedging Obligations of the types described in clauses (i) through (iii) of the definition thereof to the extent such Hedging Obligations relate to Indebtedness that is not itself a Hedging Obligation;

(iii) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period;

(iv) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon);

(v) amortization or write-off of debt discount in connection with any Indebtedness of the Company and its Restricted Subsidiaries, on a consolidated basis in accordance with GAAP, other than amortization of deferred financing costs incurred on or prior to the Issue Date; and

(vi) the product of (a) all dividend payments (other than any payments to the referent Person or any of its Restricted Subsidiaries and any dividends payable in the form of Qualified Capital Stock) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries, times (b) (x) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP, or (y) if the dividends are deductible by such Person for income tax purposes, one.

"Foreign Subsidiary" means any Restricted Subsidiary that is not organized under the laws of the United States, any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, as in effect on the Issue Date.

"Global Notes" has the meaning set forth in Section 2.16.

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

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, (ii) forward foreign exchange contracts or currency swap agreements, (iii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency values and (iv) commodity price protection agreements or commodity price hedging agreements designed to manage fluctuations in prices or costs in energy, raw materials, manufactured products or related commodities.

"Holder" or "Noteholder" means the person in whose name a Note is registered on the Registrar's books.

"incur" means, with respect to any Indebtedness, to incur, create, issue, assume or Guarantee such Indebtedness. If any Person becomes a Restricted Subsidiary on any date after the Issue Date (including by redesignation of an Unrestricted Subsidiary), the Indebtedness and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date for purposes of Section 4.09 but will not be considered the sale or issuance of Capital Stock for purposes of Section 4.12. The accretion of original issue discount or payment of interest in kind will not be considered an incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person,

(1) any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments;

(2) letters of credit (or reimbursement agreements in respect thereof) or bankers' acceptances;

(3) Capital Lease Obligations and Attributable Debt in respect of Sale and Lease-Back Transactions;

(4) the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; and

(5) net Hedging Obligations,

if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet of such Person prepared in accordance with GAAP, as well as

(a) all indebtedness of others secured by a Lien on any asset of such Person whether or not such indebtedness is assumed by such Person; *provided* that, for purposes of determining the amount of any Indebtedness of the type described in this clause, if recourse with respect to such Indebtedness is limited to such asset, the amount of such Indebtedness shall be limited to the lesser of the fair market value of such asset or the amount of such Indebtedness; and

(b) to the extent not otherwise included, the Guarantee by such Person of any indebtedness of the types described above of any other Person.

The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"Indenture" means this Indenture as amended, restated or supplemented from time to time.

"Independent Financial Advisor" means an investment banking firm of national reputation in the United States which, in the judgment of the majority of the Disinterested Members of the Board of Directors of the Company, is independent and qualified to perform the task for which it is to be engaged.

"Industrial Development Bonds" means obligations issued or guaranteed by, or supported by the full faith and credit of, a State, a Commonwealth, a Territory or a possession of the United States of America, or any political subdivision or governmental authority of any of the foregoing, or the District of Columbia.

"Initial Placement" has the meaning provided in the Registration Rights Agreement.

"Initial Purchasers" means Salomon Smith Barney Inc., Banc of America Securities LLC, J.P. Morgan Securities Inc., Banc One Capital Markets, Inc., HSBC Securities (USA), Inc., SG Cowen Securities Corporation, and U.S. Bancorp Piper Jaffray Inc.

"interest" means, with respect to the Notes, interest and Liquidated Damages.

"Interest Payment Date" means July 15 and January 15 of each year.

"Investment Grade" means a rating of BBB- or higher by S&P and Baa3 or higher by Moody's or the equivalent of such ratings by S&P or Moody's.

"Investments" means, with respect to any Person, all investments by such Person in another Person (including an Affiliate of such Person) in the form of direct or indirect loans, advances or extensions of credit to such other Person (including any Guarantee by such Person of the Indebtedness or Disqualified Stock of such other Person) or capital contributions or purchases or other acquisitions for consideration of Indebtedness, Capital Stock or other securities of such other Person, together with all items that are or would be classified as investments of such investing Person on a balance sheet prepared in accordance with GAAP; *provided* that:

(w) investments made in connection with a bankruptcy proceeding in substitution of the Company's interest as a creditor in such proceeding;

(x) trade credit and accounts receivable in the ordinary course of business;

(y) commissions, loans, advances, fees and compensation paid in the ordinary course of business to officers, directors and employees; and

(z) reimbursement obligations in respect of letters of credit and tender, bid, performance, government contract, surety and appeal bonds,

in each case solely with respect to obligations of the Company or any of its Restricted Subsidiaries, shall not be considered Investments.

"Issue Date" means the date hereof, the date of initial issuance of the Notes.

"Joint Venture" means any joint venture between the Company or any Restricted Subsidiary and any other Person, whether or not such joint venture is a Subsidiary of the Company or any Restricted Subsidiary.

"Junior Intercreditor Agreement" has the meaning set forth in the definition of Security Documents.

"Junior Security Agreement" has the meaning set forth in the definition of Security Documents.

"Junior Security Documents" means the Junior Intercreditor Agreement and the Junior Security Agreement, in each case, as defined below.

"Legal Defeasance" has the meaning set forth in Section 9.02.

"Legal Holiday" has the meaning set forth in Section 12.07.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, and any lease in the nature thereof), or the assignment or conveyance of any right to receive income therefrom.

"Liquidated Damages" has the meaning assigned to such term in Exhibit A.

"Maturity Date" when used with respect to any Note, means the date on which the principal amount of such Note becomes due and payable as therein or herein provided.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined, in accordance with GAAP and before any reduction in respect of Preferred Stock dividends, excluding, however,

(i) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with

(a) any Asset Sale or any disposition pursuant to a Sale and Lease-Back Transaction or

(b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(ii) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

"Net Proceeds" means the aggregate cash proceeds (excluding any proceeds deemed to be "cash" pursuant to Section 4.12 received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) the direct out-of-pocket costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions) and any relocation expenses incurred as a result thereof, (b) taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (iii) amounts required to be applied to the repayment of Indebtedness (other than Indebtedness under the Credit Facility) secured by a Lien on any asset sold in such Asset Sale, or which must by the terms of such Lien or by applicable law be repaid out of the proceeds of such Asset Sale, (iv) all payments made with respect to liabilities directly associated with the assets which are the subject of the Asset Sale, including, without limitation, trade payables and other accrued liabilities, and (v) any reserves for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP and any reserve for future liabilities established in accordance with GAAP; *provided* that the reversal of any such reserve that reduced Net Proceeds when issued shall be deemed a receipt of Net Proceeds in the amount of such proceeds on such day.

"Non-U.S. Person" means a Person who is not a U.S. person, as defined in Regulation S.

"Notes" means the 11.25% Senior Secured Notes Due 2009 issued by the Company, including, without limitation, the Exchange Securities, treated as a single class of securities, as amended from time to time in accordance with the terms hereof, that are issued pursuant to this Indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness and in all cases whether direct or indirect, absolute or contingent, now outstanding or hereafter created, assumed or incurred and including, without limitation, interest accruing subsequent to the filing of a petition in bankruptcy or the commencement of any insolvency, reorganization or similar proceedings at the rate provided in the relevant documentation, whether or not an allowed claim, and any obligation to redeem or defease any of the foregoing.

"Offering Memorandum" means the offering memorandum dated July 2, 2002 relating to the offering of Units issued on the Issue Date.

"Officers" means any of the following: Chairman, President, Chief Executive Officer, Treasurer, Chief Financial Officer, Secretary, Controller or any Senior Vice President.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel (who may be counsel to the Company or the Subsidiary Guarantors) stating the matters required by Section 12.05 and delivered to the Trustee.

"Pari Passu Indebtedness" means any Indebtedness of the Company or a Subsidiary Guarantor that is not subordinated to the Notes or such Subsidiary Guarantor's Subsidiary Guarantee, as the case may be.

"Paying Agent" has the meaning set forth in Section 2.04.

"Payment Default" means, with respect to any Indebtedness, a failure to pay principal of such Indebtedness at its Stated Maturity after giving effect to any applicable grace period provided in the instrument(s) governing such Indebtedness.

"Permitted Business" means the business of manufacturing, selling, and providing research and development services and support for, pharmaceuticals and chemical-based materials and any business reasonably related, incidental, complementary or ancillary thereto.

"Permitted Investments" means:

(a) any Investment in the Company or in a Restricted Subsidiary of the Company that is engaged in a Permitted Business;

(b) any Investment in Cash Equivalents;

(c) any Investment by the Company or any Subsidiary of the Company in a Person, if as a result of such Investment: (i) such Person becomes a Restricted Subsidiary of the Company engaged in a Permitted Business or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company engaged in a Permitted Business;

(d) any non-cash consideration received as consideration in an Asset Sale that was made pursuant to and in compliance with the provisions described in Section 4.12;

(e) any acquisition of assets or Capital Stock solely in exchange for, or out of the net cash proceeds of a substantially concurrent issuance of, Capital Stock (other than Disqualified Stock) of the Company;

(f) Hedging Obligations entered into in the ordinary course of business and otherwise permitted under this Indenture;

(g) any Investment received by the Company or any Restricted Subsidiary as consideration for the settlement of any litigation, arbitration or claim in bankruptcy or in partial or full satisfaction of accounts receivable owed by a financially troubled Person to the extent reasonably necessary in order to prevent or limit any loss by the Company or any of its Restricted Subsidiaries in connection with such accounts receivable;

(h) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(i) loans and advances to directors, employees and officers of the Company and its Restricted Subsidiaries for bona fide business purposes or to purchase Capital Stock of the Company not in excess of $10 million at any one time outstanding;

(j) advances to customers of the Company and its Subsidiaries that are made in the ordinary course of business and are consistent with past practice in an aggregate amount not to exceed at any time outstanding $5 million; and

(k) Investments in an aggregate amount, taken together with all other Investments made in reliance on this clause (k), not to exceed at any time outstanding $25 million (after giving effect to any reductions in the aggregate amount of such Investments as a result of the disposition thereof, including through liquidation, repayment or other reduction, including by way of dividend or distribution, for cash, the aggregate amount of such reductions not to exceed the aggregate amount of such Investments outstanding and previously made pursuant to this clause (k)).

"Permitted Liens" means:

(1) Liens in favor of the Company or any Subsidiary Guarantor;

(2) Liens securing the Notes and the Subsidiary Guarantees;

(3) Liens on property of a Person existing at the time it becomes a Subsidiary or at the time it is merged into or consolidated with the Company or a Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such merger,

consolidation or acquisition and do not extend to any assets of the Company or its Restricted Subsidiaries other than those of the Person merged into or consolidated with the Company or that becomes a Restricted Subsidiary of the Company;

(4) Liens on property (together with general intangibles and proceeds related to such property) existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such acquisition;

(5) Liens (including the interest of a lessor under a capital lease) on any asset (together with general intangibles and proceeds related to such property) existing at the time of acquisition thereof or incurred within 180 days following the time of acquisition or completion of construction thereof, whichever is later, to secure or provide for the payment of all or any part of the purchase price (or construction price) thereof (including obligations of the lessee under any such capital lease);

(6) Liens imposed by law, such as laborers', other employees', vendors', materialmen's, carriers', warehousemen's and mechanics' Liens on the property of the Company or any Restricted Subsidiary, including Liens arising out of letters of credit issued to secure the Company's obligations thereunder;

(7) easements, building restrictions, rights-of-ways, irregularities of title and such other encumbrances or charges not interfering in any material respect with the ordinary conduct of business of the Company or any of its Restricted Subsidiaries;

(8) leases, subleases or licenses by the Company or any of its Restricted Subsidiaries as lessor, sublessor or licensor in the ordinary course of business and otherwise permitted by this Indenture;

(9) Liens securing reimbursement obligations with respect to commercial letters of credit obtained in the ordinary course of business which encumber documents and other property or assets relating to such letters of credit and products and proceeds thereof;

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

(11) Liens encumbering customary initial deposits and margin deposits, netting provisions and setoff rights, in each case securing Indebtedness under Hedging Obligations that are permitted to be incurred under clause (vi) of Section 4.09;

(12) Liens incurred in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or its Restricted Subsidiaries, including Liens securing letters of credit issued to secure the Company's obligations thereunder, or any tender, bid, performance, government contract, surety or appeal bonds or other obligations of a like nature for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;

(13) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business in accordance with industry practice;

(14) Liens arising by reason of deposits necessary to qualify the Company or any Restricted Subsidiary to conduct business, maintain self-insurance or comply with any law;

(15) Liens upon any Principal Property to the extent such Liens are or would have been permitted by the provisions of the Existing Notes Indenture (as such Existing Notes Indenture is in effect on the Issue Date) without equally and ratably securing any other Indebtedness of the Company;

(16) Liens securing, or permitted by, the Bank Obligations on any tangible or intangible asset or property of the Company or any Restricted Subsidiary other than Principal Property, whether such asset or property is real, personal or mixed, to the extent such Liens are or would have been permitted by the provisions of the Existing Notes Indenture (as such Existing Notes Indenture is in effect on the Issue Date) without equally and ratably securing any other Indebtedness of the Company; *provided* that any such Lien on such asset or property shall also be granted for the benefit of the Holders of the Notes and the Subsidiary Guarantees and such Lien shall be inferior only to Liens securing the Bank Obligations and any intercreditor agreement or other agreement pertaining to relative rights in such Collateral shall not be any less favorable than the Junior Intercreditor Agreement as in effect at such time or as last in effect; *provided, further,* that notwithstanding the immediately preceding proviso, the Credit Facility shall be allowed to be secured by Liens on assets or property of Foreign Subsidiaries that secure the Credit Facility on the Assumption Date without securing the Notes and the Subsidiary Guarantees;

(17) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings, prejudgment Liens that are being contested in good faith by appropriate proceedings and Liens arising out of judgments or awards against the Company or any Restricted Subsidiary with respect to which the Company or such Restricted Subsidiary at the

time shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review; *provided* that in each case any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(18) Liens securing assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(19) Liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of (A) defeasing Indebtedness of the Company or any of its Restricted Subsidiaries having an aggregate principal amount at any one time outstanding of no more than $20 million (so long as such defeasance and related repayment of Indebtedness is in compliance with Section 4.10) or (B) defeasing Indebtedness ranking *pari passu* with the Notes; *provided* that the Notes are defeased concurrently with such Indebtedness;

(20) customary Liens for the fees, costs and expenses of trustees and escrow agents pursuant to any indenture, escrow agreement or similar agreement establishing a trust or escrow arrangement, and Liens pursuant to merger agreements, stock purchase agreements, asset sale agreements, option agreements and similar agreements in respect of the disposition of property or assets of the Company or any Restricted Subsidiary on the property to be disposed of, to the extent such dispositions are permitted by this Indenture;

(21) Liens on assets (other than Principal Property) of the Company or any Restricted Subsidiary arising as a result of a Sale and Lease-Back Transaction with respect to such assets; *provided* that the proceeds from such Sale and Lease-Back Transaction are applied to the repayment of Indebtedness or acquisition of Additional Assets or the making of capital expenditures pursuant to Section 4.12;

(22) Liens existing on the Issue Date, other than Liens securing Indebtedness under the Bank Obligations;

(23) the interest of a lessor or licensor under an operating lease or license under which the Company or any of its Restricted Subsidiaries is lessee, sublessee or licensee, including protective financing statement filings;

(24) any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), as a whole or in part, of any of the Liens described in clauses (1) through (23) of this definition; *provided* that such exten-

sion, renewal or replacement Lien shall be limited to the same property or assets that secured the Lien being so extended, renewed or replaced;

(25) other Liens on assets of the Company or any Restricted Subsidiary of the Company securing Indebtedness or other obligations to be outstanding having an aggregate principal amount at any one time outstanding not to exceed $10 million;

(26) licenses or leases by the Company or any of its Restricted Subsidiaries as licensor or lessor in the ordinary course of business and otherwise permitted by this Indenture for patents, copyrights, trademarks, trade names and other intellectual property; and

(27) netting provisions and setoff rights in favor of counterparties to agreements creating Hedging Obligations.

"Permitted Refinancing" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used solely to extend, refinance, renew, replace, defease or refund, other Indebtedness of the Company or any of its Restricted Subsidiaries; *provided* that:

(i) the principal amount (or liquidation preference in the case of Preferred Stock) of such Permitted Refinancing (or if such Permitted Refinancing is issued at a discount, the initial issuance price of such Permitted Refinancing) does not exceed the principal amount of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of any premiums paid and reasonable expenses incurred in connection therewith);

(ii) such Permitted Refinancing has a Stated Maturity date later than the Stated Maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(iii) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated by its terms in right of payment to the Notes or the Subsidiary Guarantees, such Permitted Refinancing has a Stated Maturity date later than the Stated Maturity date of, and is subordinated by its terms in right of payment to, the Notes on subordination terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(iv) such Indebtedness is incurred by the Company or a Subsidiary Guarantor if the Company or a Subsidiary Guarantor is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(v) such Indebtedness is incurred by the Company or a Restricted Subsidiary if a Restricted Subsidiary that is not a Subsidiary Guarantor is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

Notwithstanding the foregoing, Solutia shall be allowed to modify, amend or replace its Obligations under the Astaris Support Agreement; *provided* that the terms of any such modification, amendment or replacement do not materially increase Solutia's or any Restricted Subsidiary's obligations thereunder and such terms (including as to tenor) are not more onerous from a financial perspective, taken as a whole, to Solutia and its Restricted Subsidiaries.

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

"Physical Notes" means certificated Notes in registered form in substantially the form set forth in Exhibit A.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of preferred or preference stock of such Person which is outstanding or issued on or after the date of this Indenture.

"principal" of a Note means the principal of the Note plus the premium, if any, payable on the Note which is due or overdue or is to become due at the relevant time.

"Principal Property" means any building, structure or other facility used primarily for manufacturing and located in the United States (excluding its territories and possessions, but including Puerto Rico), the gross book value of which on the date as of which the determination is being made is an amount which exceeds 3% of Consolidated Net Tangible Assets, other than any such building, structure or other facility or any portion thereof (i) which is financed by Industrial Development Bonds or (ii) which, in the opinion of the Board of Directors of the Company, is not of material importance to the total business conducted by the Company and its Restricted Subsidiaries taken as a whole.

"Private Placement Legend" means the legend initially set forth on the Rule 144A Notes and Other Notes that are Restricted Notes in the form set forth in Exhibit B.

"Public Equity Offering" means any underwritten public offering of common stock of Solutia generating gross proceeds to Solutia of at least $50 million.

"Purchase Agreement" means the purchase agreement, dated as of July 2, 2002 among SOI Funding, Solutia, the Subsidiary Guarantors and the Initial Purchasers.

"Purchase Money Obligations" means Indebtedness of the Company or a Subsidiary Guarantor incurred in the ordinary course of business for the purpose of financing all or any part of the purchase price or cost of installation, construction or improvement of an asset; *provided, however,* that (1) the amount of such Indebtedness shall not exceed such purchase price or cost, (2) such Indebtedness shall not be secured by any asset other than the asset being financed, or in the case of real property or fixtures, the real property or fixtures to which such asset is attached and (3) such Indebtedness shall be incurred within 180 days after the acquisition of such asset by the Company or such Subsidiary Guarantor, or such installation, construction or improvement.

"Qualified Capital Stock" shall mean all Capital Stock of a Person other than Disqualified Stock of such Person.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A promulgated under the Securities Act.

"Redemption Date" when used with respect to any Note to be redeemed pursuant to paragraph 5 of the Notes means the date fixed for such redemption pursuant to the terms of the Notes.

"Registrar" has the meaning set forth in Section 2.04.

"Registration Rights Agreement" means the registration rights agreement dated as of the Issue Date among Solutia, the Subsidiary Guarantors named therein and the Initial Purchasers.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" has the meaning set forth in Section 2.16.

"Regulation S Notes" has the meaning set forth in Section 2.02.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer in the Corporate Trust Department of the Trustee including any vice president, assistant vice president or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively,

and to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Global Note" has the meaning set forth in Section 2.16.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Note" has the same meaning as "Restricted Security" set forth in Rule 144(a)(3) promulgated under the Securities Act; *provided* that the Trustee shall be entitled to request and conclusively rely upon an Opinion of Counsel with respect to whether any Note is a Restricted Note.

"Restricted Subsidiary" of the Company means (a) prior to the first time that the Notes are rated Investment Grade, any Subsidiary of the Company that is not an Unrestricted Subsidiary and (b) from and after the first time that the Notes are rated Investment Grade, any Subsidiary of the Company (whether or not the Company has previously designated such Subsidiary as an Unrestricted Subsidiary) (1) more than 50% of whose net sales and operating revenues during the preceding four calendar quarters were derived in, or more than 50% of whose operating properties are located in, the United States (excluding its territories and possessions, but including Puerto Rico) or (2) more than 50% of whose assets consist of securities of other Restricted Subsidiaries or (3) which owns a Principal Property, except that certain export sales, banking, insurance, finance, real estate, construction and unconsolidated Subsidiaries do not constitute Restricted Subsidiaries so long as they shall not own any Principal Property. Unless the context otherwise requires, each reference to a "Restricted Subsidiary" shall refer to a Subsidiary of the Company.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 144A Notes" has the meaning set forth in Section 2.02.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"SEC" means the U.S. Securities and Exchange Commission

"Sale and Lease-Back Transaction" means any arrangement with any Person (other than the Company or a Subsidiary), or to which any such Person is a party, providing for the leasing, pursuant to a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP, to the Company or a Restricted Subsidiary of any property or asset which has been or is to be sold or transferred by the Company or such

Restricted Subsidiary to such Person or to any other Person (other than the Company or a Subsidiary) to which funds have been or are to be advanced by such Person.

"Securities Account Control Agreement" means the securities account control agreement dated July 9, 2002 among SOI Funding, the Securities Intermediary and the Trustee.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

"Securities Intermediary" means Citibank, N.A.

"Security Documents" means (1) prior to the Assumption Date, the Escrow Agreement and the Securities Account Control Agreement and (2) from and after the Solutia Assumption (i) the Intercreditor and Collateral Trust Agreement to be dated as of the date of the Solutia Assumption by and among Solutia, CPFilms Inc, a Delaware corporation ("CPF"), Citibank, N.A., as administrative agent under the Solutia Credit Agreement referred to therein, Bank of America, N.A., as administrative agent under the Astaris Credit Agreement referred to therein, Citibank, N.A., as agent under the Co-gen Participation Agreement referred to therein, Citibank, N.A., as collateral agent under the Non-Sharing Intercreditor Agreement referred to therein, and HSBC Bank USA, as collateral trustee (the "Collateral Trustee"), (the "Sharing Intercreditor Agreement"), (ii) the Security Agreement dated as of the date of the Solutia Assumption between the Company, CPF and the Collateral Trustee (the "Sharing Security Agreement"); (iii) the Sharing Mortgages (as defined in the Sharing Intercreditor Agreement), and any modifications or confirmations thereto: Decatur, Alabama; Pensacola, Florida; Indian Orchard, Massachusetts; Trenton, Michigan; Greenwood, South Carolina; Alvin, Texas; and Martinsville, Virginia; (iv) the Junior Intercreditor Agreement substantially in the form of Exhibit G dated as of the Assumption Date (the "Junior Intercreditor Agreement") among Solutia, the Subsidiary Guarantors, Citibank, N.A. and the Trustee; and (vii) the Junior Security Agreement dated as of the Assumption Date substantially in the form of Exhibit H (the "Junior Security Agreement") among Solutia Inc., the Subsidiary Guarantors, Citibank, N.A. and the Trustee, and all other mortgages, deeds of trust, pledge agreements, collateral assignments, security agreements, fiduciary transfers, debentures, fiduciary assignments or other instruments evidencing or creating any security interests or Liens in favor of the Trustee, in each case as amended, replaced, modified, or restated from time to time in accordance with its terms and the terms of this Indenture.

"Sharing Security Documents" means the Sharing Intercreditor Agreement, the Sharing Security Agreement and the Sharing Mortgages.

"Significant Subsidiary" means any Restricted Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X,

promulgated pursuant to the Securities Act of 1933, as amended, as such Regulation is in effect on the Issue Date.

"Solutia" means Solutia, Inc., a Delaware corporation.

"Solutia Assumption" means the assumption by Solutia and the Subsidiary Guarantors of the obligations of SOI Funding under this Indenture and the Notes, in accordance with the terms of the Escrow Agreement.

"Special Mandatory Redemption Date" means the 20th day after the Deadline (or if such day is not a Business Day, the first Business Day thereafter (as evidenced in a written statement to that effect delivered to the Trustee)).

"Special Mandatory Redemption Price" means (a) $206,702,624.80 (which amount is equal to 103% of the original issue amount of the Units ($200,682,160.00)) plus (b) the accrued and unpaid interest on the Notes from and including the Issue Date to but excluding the Special Mandatory Redemption Date.

"Special Redemption Trigger" has the meaning set forth in Section 3.07.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness (or any later date established by any amendment to such original documentation) and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Debt" means Indebtedness that is by its terms subordinated to the Notes and the Subsidiary Guarantees, as applicable.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof) or (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries such Person (or any combination thereof).

"Subsidiary Guarantee" means a guarantee of the Notes by a Subsidiary Guarantor.

"Subsidiary Guarantor" means any Subsidiary that executes a Subsidiary Guarantee in accordance with the provisions of this Indenture, in each case, until the Subsidiary Guarantee of such Person is released in accordance with the provisions of this Indenture.

"Surviving Person" has the meaning set forth in Section 5.01.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code §§ 77aaa-77bbbb) as in effect on the date of this Indenture (except as provided in Section 8.03).

"Trustee" means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture and thereafter means the successor.

"Units" means the 223,000 units issued on the Issue Date pursuant to the Offering Memorandum comprising $223 million aggregate principal amount of Notes and 223,000 warrants to purchase an aggregate of 5,533,522 shares of common stock of Solutia, par value $.01 per share.

"Unrestricted Subsidiary" means (i) each of Solutia Chemical Co., Ltd., Suzhou, Solutia Hellas EPE, Solutia Management Company, Inc., Solutia Netherlands Holding B.V., Solutia Netherlands International B.V., Solutia Kimyasak pazarlama ve Ticaret Limited Sirketi, Solutia Therminal Co., Ltd., Suzhou, Solutia UK Capital Limited, Solutia GOM India Coatings Materials Private Limited, Vianova Resins, Inc., Vianova Resins N.V./S.A., Vianova Resins Canada Inc., Vianova Resins, Resinas Quimicas Limitada, Viking Finance III B.V., Viking Resins Germany Holdings GmbH & Co. KG, Viking Resins Group Holding B.V. and Zweite Viking Resins Germany 2 GmbH, (ii) any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a resolution and (iii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided* that

(a) any Guarantee by the Company or any Restricted Subsidiary of any Indebtedness of the Subsidiary being so designated or any of its Subsidiaries shall be deemed an "incurrence" of such Indebtedness and an "Investment" by the Company or such Restricted Subsidiary (or both, if applicable) at the time of such designation,

(b) such designation would be permitted by Section 4.10, and

(c) if applicable, the Investment and the incurrence of Indebtedness referred to in clause (a) of this proviso would be permitted by Section 4.09 and Section 4.10.

Any such designation by the Board of Directors pursuant to clause (i) above shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by Section 4.09 and Section 4.10.

If at any time the Company or any Restricted Subsidiary Guarantees any Indebtedness of such Unrestricted Subsidiary or makes any other Investment in such Unrestricted Subsidiary and such incurrence of Indebtedness or Investment would not be permitted by Section 4.09 and Section 4.10, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date in Section 4.09, the Company shall be in default of such Section). The Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted by Section 4.09 and (ii) no Default or Event of Default would be in existence following such designation.

"U.S. Government Obligations" shall mean securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as full faith and credit obligation by the United States of America, that, in either case, are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligations or a specific payment of interest on or principal of any such U.S. Government Obligations held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt for any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of interest on or principal of the U.S. Government Obligations evidenced by such depository receipt.

"Value" means, with respect to a Sale and Lease-Back Transaction, the amount equal to the greater of (i) the net proceeds of the sale or transfer of the property leased pursuant to such Sale and Lease-Back Transaction or (ii) the fair value, in the opinion of the Board of Directors, of such property at the time of entering into such Sale and Lease-Back Transaction, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(i) the sum of the products obtained by multiplying

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by

(ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" of any Person means a Restricted Subsidiary of such Person all the outstanding Capital Stock of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly Owned Restricted Subsidiaries of such Person.

SECTION 1.02. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the portion of such provision required to be incorporated herein in order for this Indenture to be qualified under the TIA is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes.

"indenture securityholder" means a Holder or Noteholder.

"indenture to be qualified" means this Indenture.

"obligor on this indenture securities" means the Company, the Subsidiary Guarantors or any other obligor on the Notes.

All other terms used in this Indenture that are defined by the TIA, defined in the TIA by reference to another statute or defined by Commission rule have the meanings therein assigned to them.

SECTION 1.03. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it herein, whether defined expressly or by reference;

(2) "or" is not exclusive;

(3) words in the singular include the plural, and in the plural include the singular;

(4) words used herein implying any gender shall apply to both genders;

(5) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subsection;

(6) unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of the Company;

(7) "$," "U.S. Dollars" and "United States Dollars" each refer to United States dollars, or such other money of the United States that at the time of payment is legal tender for payment of public and private debts; and

(8) whenever in this Indenture there is mentioned, in any context, principal, interest or any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Liquidated Damages to the extent that, in such context, Liquidated Damages are, were or would be payable in respect thereof.

ARTICLE TWO

THE SECURITIES

SECTION 2.01. Amount of Notes.

The Trustee shall initially authenticate Notes for original issue on the Issue Date in an aggregate principal amount of $223 million upon a written order of the Company in

the form of an Officers' Certificate of the Company (other than as provided in Section 2.08). The Trustee shall authenticate additional Notes ("Additional Notes") thereafter in unlimited amount (so long as permitted by the terms of this Indenture, including, without limitation, Section 4.09) for original issue upon a written order of the Company in the form of an Officers' Certificate in aggregate principal amount as specified in such order (other than as provided in Section 2.08). Each such written order shall specify the amount of Notes to be authenticated and the date on which the Notes are to be authenticated.

SECTION 2.02. Form and Dating.

The Notes and the Trustee's certificate of authentication with respect thereto shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Notes may have notations, legends or endorsements required by law, rule or usage to which the Company is subject. Without limiting the generality of the foregoing, Notes offered and sold to Qualified Institutional Buyers in reliance on Rule 144A ("Rule 144A Notes") shall bear the legend and include the form of assignment set forth in Exhibit B, Notes offered and sold in offshore transactions in reliance on Regulation S ("Regulation S Notes") shall bear the legend and include the form of assignment set forth in Exhibit C. Each Note shall be dated the date of its authentication.

The terms and provisions contained in the Notes shall constitute, and are expressly made, a part of this Indenture and, to the extent applicable, the Company, the Subsidiary Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and agree to be bound thereby.

The Notes may be presented for registration of transfer and exchange at the offices of the Registrar.

SECTION 2.03. Execution and Authentication.

The Notes shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents. The signature of any of these officers on the Notes may be manual or facsimile.

If an Officer whose signature is on a Note was an Officer at the time of such execution but no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such

Note has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Note shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Note to the Trustee for cancellation as provided in Section 2.12, for all purposes of this Indenture such Note shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate the Notes. Unless otherwise provided in the appointment, an authenticating agent may authenticate the Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company and Affiliates of the Company. Each Paying Agent is designated as an authenticating agent for purposes of this Indenture.

The Notes shall be issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof.

SECTION 2.04. Registrar and Paying Agent.

The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange (the "Registrar"), and an office or agency where Notes may be presented for payment (the "Paying Agent") and an office or agency where notices and demands to or upon the Company, if any, in respect of the Notes and this Indenture may be served. The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may have one or more additional Paying Agents. The term "Paying Agent" includes any additional Paying Agent. Neither the Company nor any Affiliate thereof may act as Paying Agent.

The Company shall enter into an appropriate agency agreement, which shall incorporate the provisions of the TIA, with any Agent that is not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such and shall be entitled to appropriate compensation in accordance with Section 7.07.

The Company initially appoints the Trustee as Registrar, Paying Agent and Agent for service of notices and demands in connection with the Notes and this Indenture.

SECTION 2.05. Paying Agent To Hold Money in Trust.

Each Paying Agent shall hold in trust for the benefit of the Noteholders or the Trustee all money held by the Paying Agent for the payment of principal of or premium or interest on the Notes (whether such money has been paid to it by the Company or any other obligor on the Notes or the Subsidiary Guarantors), and the Company and the Paying Agent shall notify the Trustee of any default by the Company (or any other obligor on the Notes) in making any such payment. Money held in trust by the Paying Agent need not be segregated except as required by law and in no event shall the Paying Agent be liable for any interest on any money received by it hereunder. The Company at any time may require the Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed and the Trustee may at any time during the continuance of any Event of Default specified in Section 6.01(1) or (2), upon written request to the Paying Agent, require such Paying Agent to pay forthwith all money so held by it to the Trustee and to account for any funds disbursed. Upon making such payment, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.06. Noteholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of the Noteholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least five Business Days before each Interest Payment Date, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Noteholders.

SECTION 2.07. Transfer and Exchange.

Subject to Sections 2.16 and 2.17, when Notes are presented to the Registrar with a request from the Holder of such Notes to register a transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer as requested. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorneys duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall issue and execute and the Trustee shall authenticate new Notes (and the Subsidiary Guarantors shall execute the guarantee thereon) evidencing such transfer or exchange at the Registrar's request. No service charge shall be made to the Noteholder for any registration of transfer or exchange. The Company may require from the Noteholder payment of a sum sufficient to cover any transfer taxes or other governmental charge that may be imposed in relation to a transfer or exchange, but this provision shall not apply to any exchange pursuant to Section 2.11, 3.06, 4.08, 4.12 or 8.05 (in which events the Company shall be responsi-

ble for the payment of such taxes). The Registrar shall not be required to exchange or register a transfer of any Note for a period of 15 days immediately preceding the mailing of notice of redemption of Notes to be redeemed or of any Note selected, called or being called for redemption except the unredeemed portion of any Note being redeemed in part.

Any Holder of the Global Note shall, by acceptance of such Global Note, agree that transfers of the beneficial interests in such Global Note may be effected only through a book entry system maintained by the Holder of such Global Note (or its agent), and that ownership of a beneficial interest in the Global Note shall be required to be reflected in a book entry.

Except as expressly provided herein, neither the Trustee nor the Registrar shall have any duty to monitor the Company's compliance with or have any responsibility with respect to the Company's compliance with any Federal or state securities laws.

SECTION 2.08. Replacement Notes.

If a mutilated Note is surrendered to the Registrar or the Trustee, or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Note (and the Subsidiary Guarantors shall execute the guarantee thereon) if the Holder of such Note furnishes to the Company and the Trustee evidence reasonably acceptable to them of the ownership and the destruction, loss or theft of such Note and if the requirements of Section 8-405 of the New York Uniform Commercial Code as in effect on the date of this Indenture are met. If required by the Trustee or the Company, an indemnity bond shall be posted, sufficient in the judgment of all to protect the Company, the Subsidiary Guarantors, the Trustee or any Paying Agent from any loss that any of them may suffer if such Note is replaced. The Company may charge such Holder for the Company' reasonable out-of-pocket expenses in replacing such Note and the Trustee may charge the Company for the Trustee's expenses (including, without limitation, attorneys' fees and disbursements) in replacing such Note. Every replacement Note shall constitute a contractual obligation of the Company.

SECTION 2.09. Outstanding Notes.

The Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for (a) those canceled by it, (b) those delivered to it for cancellation, (c) to the extent set forth in Sections 9.01 and 9.02, on or after the date on which the conditions set forth in Section 9.01 or 9.02 have been satisfied, those Notes theretofore authenticated and delivered by the Trustee hereunder and (d) those described in this Section 2.09 as not outstanding. Subject to Section 2.10, a Note does not cease to be outstanding because the Company or one of its Affiliates holds the Note.

If a Note is replaced pursuant to Section 2.08, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser in whose hands such Note is a legal, valid and binding obligation of the Company.

If the Paying Agent holds, in its capacity as such, on any Maturity Date, money sufficient to pay all accrued interest and principal with respect to the Notes payable on that date and is not prohibited from paying such money to the Holders thereof pursuant to the terms of this Indenture, then on and after that date such Notes cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any declaration of acceleration or notice of default or direction, waiver or consent or any amendment, modification or other change to this Indenture, Notes owned by the Company or any other Affiliate of the Company shall be disregarded as though they were not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent or any amendment, modification or other change to this Indenture, only Notes as to which a Responsible Officer of the Trustee has actually received an Officers' Certificate stating that such Notes are so owned shall be so disregarded. Notes so owned which have been pledged in good faith shall not be disregarded if the pledgee established to the satisfaction of the Trustee the pledgee's right so to act with respect to the Notes and that the pledgee is not an Issuer, a Subsidiary Guarantor, any other obligor on the Notes or any of their respective Affiliates.

SECTION 2.11. Temporary Notes.

Until definitive Notes are prepared and ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes. Until such exchange, temporary Notes shall be entitled to the same rights, benefits and privileges as definitive Notes.

SECTION 2.12. Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall (subject to the record-retention requirements of the Exchange Act) dispose of such canceled

Notes in its customary manner. The Company may not reissue or resell, or issue new Notes to replace, Notes that the Company has redeemed or paid, or that have been delivered to the Trustee for cancellation.

SECTION 2.13. Defaulted Interest.

If the Company defaults on a payment of interest on the Notes, it shall pay the defaulted interest, plus (to the extent permitted by law) any interest payable on the defaulted interest, in accordance with the terms hereof, to the Persons who are Noteholders on a subsequent special record date, which date shall be at least five Business Days prior to the payment date. The Company shall fix such special record date and payment date in a manner satisfactory to the Trustee. At least 10 days before such special record date, the Company shall mail to each Noteholder a notice that states the special record date, the payment date and the amount of defaulted interest, and interest payable on defaulted interest, if any, to be paid. The Company may make payment of any defaulted interest in any other lawful manner not inconsistent with the requirements (if applicable) of any securities exchange on which the Notes may be listed and, upon such notice as may be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this sentence, such manner of payment shall be deemed practicable by the Trustee.

SECTION 2.14. CUSIP Number.

The Company in issuing the Notes may use a "CUSIP" number, and if so, such CUSIP number shall be included in notices of redemption or exchange as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee of any such CUSIP number used by the Company in connection with the issuance of the Notes and of any change in the CUSIP number.

SECTION 2.15. Deposit of Moneys.

Prior to 10:00 a.m., New York City time, on each Interest Payment Date and Maturity Date, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date or Maturity Date, as the case may be, in a timely manner which permits the Trustee to remit payment to the Holders on such Interest Payment Date or Maturity Date, as the case may be. The principal and interest on Global Notes shall be payable to the Depository or its nominee, as the case may be, as the sole registered owner and the sole Holder of the Global Notes represented thereby. The principal and interest on Physical Notes shall be payable, either in person or by mail, at the office of the Paying Agent.

SECTION 2.16. Book-Entry Provisions for Global Notes.

(a) Rule 144A Notes shall be represented by one or more Notes in registered, global form without interest coupons (collectively, the "Restricted Global Note"). Regulation S Notes initially shall be represented by one or more Notes in registered, global form without interest coupons (collectively, the "Regulation S Global Note," and, together with the Restricted Global Note and any other global notes representing Notes, the "Global Notes"). The Global Notes shall bear legends as set forth in Exhibit D. The Global Notes initially shall (i) be registered in the name of the Depository or the nominee of such Depository, in each case for credit to an account of an Agent Member (or, in the case of the Regulation S Global Notes, of Euroclear System ("Euroclear") and Clearstream Banking Luxembourg ("Clearstream")), (ii) be delivered to the Trustee as custodian for such Depository and (iii) bear legends as set forth in Exhibit B with respect to Restricted Global Notes and Exhibit C with respect to Regulation S Global Notes.

Members of, or direct or indirect participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, or the Trustee as its custodian, or under the Global Notes, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Note.

(b) Transfers of Global Notes shall be limited to transfer in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in the Global Notes may be transferred or exchanged for Physical Notes in accordance with the rules and procedures of the Depository and the provisions of Section 2.17. In addition, a Global Note shall be exchangeable for Physical Notes if (i) the Depository (x) notifies the Company that it is unwilling or unable to continue as depository for such Global Note and the Company thereupon fails to appoint a successor depository or (y) has ceased to be a clearing agency registered under the Exchange Act, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of such Physical Notes or (iii) there shall have occurred and be continuing an Event of Default with respect to the Notes. In all cases, Physical Notes delivered in exchange for any Global Note or beneficial interests therein shall be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures).

(c) In connection with any transfer or exchange of a portion of the beneficial interest in any Global Note to beneficial owners pursuant to paragraph (b), the Registrar

shall (if one or more Physical Notes are to be issued) reflect on its books and records the date and a decrease in the principal amount of the Global Note in an amount equal to the principal amount of the beneficial interest in the Global Note to be transferred, and the Company shall execute, and the Trustee shall upon receipt of a written order from the Company authenticate and make available for delivery, one or more Physical Notes of like tenor and amount.

(d) In connection with the transfer of Global Notes as an entirety to beneficial owners pursuant to paragraph (b), the Global Notes shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depository in writing in exchange for its beneficial interest in the Global Notes, an equal aggregate principal amount of Physical Notes of authorized denominations.

(e) Any Physical Note constituting a Restricted Note delivered in exchange for an interest in a Global Note pursuant to paragraph (b), (c) or (d) shall, except as otherwise provided by paragraphs (a)(i)(x) and (c) of Section 2.17, bear the Private Placement Legend or, in the case of the Regulation S Global Note, the legend set forth in Exhibit C, in each case, unless the Company determine otherwise in compliance with applicable law.

(f) On or prior to the 40th day after the later of the commencement of the offering of the Notes represented by the Regulation S Global Note and the issue date of such Notes (such period through and including such 40th day, the "Restricted Period"), a beneficial interest in a Regulation S Global Note may be transferred to a Person who takes delivery in the form of an interest in the corresponding Restricted Global Note only upon receipt by the Trustee of a written certification from the transferor to the effect that such transfer is being made (i)(a) to a Person that the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A or (b) pursuant to another exemption from the registration requirements under the Securities Act which is accompanied by an Opinion of Counsel regarding the availability of such exemption and (ii) in accordance with all applicable securities laws of any state of the United States or any other jurisdiction.

(g) Beneficial interests in the Restricted Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

(h) Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in another Global Note shall, upon transfer, cease to be an interest in such Global Note and become an interest in such other

Global Note and, accordingly, shall thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(i) The Holder of any Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

SECTION 2.17. Special Transfer Provisions.

(a) Transfers to QIBs. The following provisions shall apply with respect to the registration or any proposed registration of transfer of a Note constituting a Restricted Note to a QIB (excluding transfers to Non-U.S. Persons):

(i) the Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on such Holder's Note stating, or to a transferee who has advised the Company and the Registrar in writing, that it is purchasing the Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A; and

(ii) if the proposed transferee is an Agent Member, and the Notes to be transferred consist of Physical Notes which after transfer are to be evidenced by an interest in the Global Note, upon receipt by the Registrar of instructions given in accordance with the Depository's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Global Note in an amount equal to the principal amount of the Physical Notes to be transferred, and the Trustee shall cancel the Physical Notes so transferred.

(b) Private Placement Legend. Upon the registration of transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Registrar shall deliver Notes that do not bear the Private Placement Legend. Upon the registration of transfer, exchange or replacement of Notes bearing the Private Placement Legend, the Registrar shall deliver only Notes that bear the Private Placement Legend unless (i) there is delivered to the Registrar an Opinion of Counsel reasonably satisfactory to the Company and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order

to maintain compliance with the provisions of the Securities Act or (ii) such Note has been sold pursuant to an effective registration statement under the Securities Act and the Registrar has received an Officers' Certificate from the Company to such effect.

(c) General. By its acceptance of any Note bearing the Private Placement Legend, each Holder of such Note acknowledges the restrictions on transfer of such Note set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Note only as provided in this Indenture.

The Registrar shall retain for a period of two years copies of all letters, notices and other written communications received pursuant to Section 2.16 or this Section 2.17. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable notice to the Registrar.

SECTION 2.18. Computation of Interest.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months and actual days elapsed.

ARTICLE THREE

REDEMPTION

SECTION 3.01. Election To Redeem; Notices to Trustee.

If the Company elects to redeem Notes pursuant to paragraph 5 of the Notes, at least 35 days prior to the Redemption Date (unless a shorter notice shall be agreed to in writing by the Trustee) but not more than 65 days before the Redemption Date, the Company shall notify the Trustee in writing of the Redemption Date, the principal amount of Notes to be redeemed and the redemption price, and deliver to the Trustee an Officers' Certificate stating that such redemption will comply with the conditions contained in paragraph 5 of the Notes. Notice given to the Trustee pursuant to this Section 3.01 may not be revoked after the time that notice is given to Noteholders pursuant to Section 3.03.

SECTION 3.02. Selection by Trustee of Notes To Be Redeemed.

The Trustee shall select the Notes to be redeemed, if the Notes are listed on a national securities exchange, in accordance with the rules of such exchange or, if the Notes are not so listed, either on a *pro rata* basis or by lot, or such other method as the Trustee shall deem fair and appropriate; *provided* that, in the case of a redemption pursuant to paragraph

5(a) of the Notes, the Trustee shall select the Notes only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to procedures of the Depository). The Trustee shall promptly notify the Company of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed. The Trustee may select for redemption portions of the principal of the Notes that have denominations larger than $1,000. Notes and portions thereof the Trustee selects shall be redeemed in amounts of $1,000 or whole multiples of $1,000. For all purposes of this Indenture unless the context otherwise requires, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03. Notice of Redemption.

At least 30 days, and no more than 60 days, before a Redemption Date, the Company shall mail, or cause to be mailed, a notice of redemption by first-class mail to each Holder of Notes to be redeemed at his or her last address as the same appears on the registry books maintained by the Registrar pursuant to Section 2.04.

The notice shall identify the Notes to be redeemed (including the CUSIP numbers thereof) and shall state:

(1) the Redemption Date;

(2) the redemption price and the amount of premium and accrued interest to be paid;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date and upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that unless the Company defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;

(7) that paragraph 5 of the Notes is the provision of the Notes pursuant to which the redemption is occurring; and

(8) the aggregate principal amount of Notes that are being redeemed.

At the Company's written request made at least five Business Days prior to the date on which notice is to be given, the Trustee shall give the notice of redemption in the Company's name and at the Company's sole expense.

SECTION 3.04. Effect of Notice of Redemption.

Once the notice of redemption described in Section 3.03 is mailed, Notes called for redemption become due and payable on the Redemption Date and at the redemption price, including any premium, plus interest accrued to the Redemption Date. Upon surrender to the Paying Agent, such Notes shall be paid at the redemption price, including any premium, plus interest accrued to the Redemption Date; *provided* that if the Redemption Date is after a regular record date and on or prior to the Interest Payment Date, the accrued interest shall be payable to the Holder of the redeemed Notes registered on the relevant record date; and *provided, further*, that if a Redemption Date is a Legal Holiday, payment shall be made on the next succeeding Business Day and no interest shall accrue for the period from such Redemption Date to such succeeding Business Day.

SECTION 3.05. Deposit of Redemption Price.

On or prior to 10:00 A.M., New York City time, on each Redemption Date, the Company shall deposit with the Paying Agent in immediately available funds money sufficient to pay the redemption price of, including premium, if any, and accrued interest on all Notes to be redeemed on that date other than Notes or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation.

On and after any Redemption Date, if money sufficient to pay the redemption price of, including premium, if any, and accrued interest on Notes called for redemption shall have been made available in accordance with the immediately preceding paragraph, the Notes called for redemption will cease to accrue interest and the only right of the Holders of such Notes will be to receive payment of the redemption price of and, subject to the first proviso in Section 3.04, accrued and unpaid interest on such Notes to the Redemption Date. If any Note surrendered for redemption shall not be so paid, interest will be paid, from the Redemption Date until such redemption payment is made, on the unpaid principal of the Note and any interest not paid on such unpaid principal, in each case at the rate and in the manner provided in the Notes.

SECTION 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Trustee shall authenticate for the Holder thereof a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07. Special Mandatory Redemption; Notices to Trustee and Securities Intermediary.

If the Solutia Assumption has not occurred on or before the Deadline (the "Special Redemption Trigger"), the Company will promptly notify the Trustee thereof and deliver to the Trustee an Officers' Certificate stating that such redemption will comply with the conditions contained in paragraph 6 of the Notes and setting forth the Special Mandatory Redemption Price applicable to such Special Mandatory Redemption. Simultaneously with the giving of such notice by the Company to the Trustee, the Company shall notify the Securities Intermediary thereof pursuant to Section 3(a) of the Escrow Agreement.

SECTION 3.08. Notice of Special Mandatory Redemption to Holders.

Upon the occurrence of the Special Redemption Trigger, notice of the Special Mandatory Redemption will be promptly mailed by first class mail by the Company to each Holder of Notes at his or her last address as the same appears on the registry books maintained by the Registrar pursuant to Section 2.04 and to the Trustee and the Securities Intermediary.

The notice shall state that all the Notes will be redeemed (including the CUSIP numbers thereof) and shall state:

(1) the Special Mandatory Redemption Date;

(2) the Special Mandatory Redemption Price;

(3) the name and address of the Paying Agent;

(4) that Notes must be surrendered to the Paying Agent to collect the redemption price;

(5) that unless the Company defaults in making the redemption payment, interest on the Notes ceases to accrue on and after the Special Mandatory Redemption Date; and

(6) that paragraph 6 of the Notes is the provision pursuant to which the Notes are being redeemed.

SECTION 3.09. Effect of Notice of Special Mandatory Redemption.

Once the notice of redemption described in Section 3.08 is mailed, the Notes will become due and payable on the Special Mandatory Redemption Date at the Special Mandatory Redemption Price. Upon surrender to the Paying Agent, the Notes shall be paid at the Special Mandatory Redemption Price; *provided* that if the Special Mandatory Redemption

Date is a Legal Holiday, payment shall be made on the next succeeding Business Day and no interest shall accrue for the period from such Special Mandatory Redemption Date to such succeeding Business Day.

SECTION 3.10. Deposit of Special Mandatory Redemption Price.

On or prior to 10:00 A.M., New York City time, on the Special Mandatory Redemption Date, the Company shall direct the Securities Intermediary, pursuant to Section 3(a) of the Escrow Agreement, to deposit with the Paying Agent the applicable Special Mandatory Redemption Price.

On and after the Special Mandatory Redemption Date, if money sufficient to pay the applicable Special Mandatory Redemption Price shall have been made available in accordance with the immediately preceding paragraph, the Notes will cease to accrue interest and the only right of the Holders of the Notes will be to receive payment of the Special Mandatory Redemption Price. If any Note surrendered for redemption shall not be so paid, interest will be paid, from the Special Mandatory Redemption Date until such redemption payment is made, on the unpaid principal of the Note and any interest not paid on such unpaid principal, in each case at the rate and in the manner provided in the Notes.

ARTICLE FOUR

COVENANTS

SECTION 4.01. Payment of Notes.

The Company shall pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay such installment.

The Company shall pay interest on overdue principal (including post-petition interest in a proceeding under any Bankruptcy Law), and overdue interest, to the extent lawful, at the rate specified in the Notes.

SECTION 4.02. Maintenance of Office or Agency.

(a) The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee or Registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and

this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.04.

SECTION 4.03. Legal Existence.

Subject to Article Five, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its legal existence, and the corporate, partnership or other existence of each Restricted Subsidiary, in accordance with the respective organizational documents (as the same may be amended from time to time) of each Restricted Subsidiary and the material rights (charter and statutory), and franchises of the Company and the Restricted Subsidiaries; *provided* that the Company shall not be required to preserve any such right, franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries if the Board of Directors of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

SECTION 4.04. Maintenance of Properties; Insurance; Compliance with Law.

(a) The Company shall, and shall cause each of its Restricted Subsidiaries to, at all times cause all material properties used or useful in the conduct of their respective businesses to be maintained and kept in good condition, repair and working order (reasonable wear and tear excepted) and supplied with all necessary equipment, and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereto; *provided, however,* that nothing in this Section 4.04(a) shall prevent the Company or any of its Restricted Subsidiaries from discontinuing the operation and maintenance of any of such ma-

terial properties if such discontinuance is, in the reasonable judgment of the Company, desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole.

(b) The Company shall maintain insurance, and cause each of its Restricted Subsidiaries to maintain insurance, with financially sound and reputable insurers, with respect to such of its properties, against such risks, casualties and contingencies and in such types and amounts as are consistent with sound business practice, it being understood that this paragraph (b) shall not prevent the use of deductible or excess loss insurance and shall not prevent (i) the Company or any of its Subsidiaries from acting as a self-insurer or maintaining insurance with another Subsidiary or Subsidiaries of the Company so long as such action is consistent with sound business practice or (ii) the Company from obtaining and owning insurance policies covering activities of its Subsidiaries.

(c) The Company shall, and shall cause each of its Restricted Subsidiaries to comply with all statutes, laws, ordinances or government rules and regulations to which they are subject, non-compliance with which would materially adversely affect the business, financial condition or results of operations of the Company and its Restricted Subsidiaries taken as a whole.

SECTION 4.05. Waiver of Stay, Extension or Usury Laws.

The Company and each of the Subsidiary Guarantors covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead (as a defense or otherwise) or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive any of the Company and the Subsidiary Guarantors from paying all or any portion of the principal of, premium, if any, and/or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that they may lawfully do so) each of the Company and the Subsidiary Guarantors hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.06. Compliance Certificate. ✓

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate of an Officer (as enumerated by Section 314(a)(4) of the TIA) stating that the Officer has conducted or supervised a review of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under this Indenture during such fiscal year, and further stating, as to each such Officer signing such certificate, that, to the best of such Officers' knowledge, based upon such review,

the Company has fulfilled all obligations under this Indenture or, if there has been a Default under this Indenture that is continuing, a description of the event and what action the Company and the Subsidiary Guarantors are taking or propose to take with respect thereto.

(b) The Company will deliver to the Trustee, within 30 days after the occurrence thereof, a certificate of an Officer detailing any continuing Default of which such Officer is aware, its status and what action the Company is taking or proposes to take with respect to such Default.

(c) The Company will provide written notice to the Trustee of any change in its fiscal year.

(d) Solutia shall promptly notify the Trustee the first time the Notes are rated Investment Grade; *provided, however*, that the failure to deliver such notice shall in no event be deemed a Default or an Event of Default.

SECTION 4.07. Taxes.

The Company shall, and shall cause each of its Restricted Subsidiaries to, pay prior to delinquency all material taxes, assessments, and governmental levies except as contested in good faith and by appropriate proceedings, *provided however* that the Company and its Restricted Subsidiaries shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment or governmental levies whose amount, applicability or validity is being contested in good faith by appropriate proceedings or which is not of material importance to the business, operations, financial conditions or results of operations of the Company and its Subsidiaries, taken as a whole.

SECTION 4.08. Repurchase at the Option of Holders upon Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest, if any, thereon to the date of purchase (the "Change of Control Payment") on a date that is not more than 90 days after the occurrence of such Change of Control (the "Change of Control Payment Date"). Within 30 days following any Change of Control, the Company will mail, or at the Company's request the Trustee will mail, a notice to each Holder offering to repurchase the Notes held by such Holder pursuant to the procedures specified in such notice.

(b) Within 30 days following the date on which a Change of Control occurs, the Company shall send (or request in writing that the Trustee send), by first-class mail, postage prepaid, a notice to each Holder of Notes at its last registered address and, if given by the Company, the Trustee, which notice shall govern the terms of the Change of Control Offer. The notice to the Holders shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Change of Control Offer. Such notice shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 4.08 and that all Notes validly tendered and not withdrawn will be accepted for payment;

(2) the Change of Control Payment and the Change of Control Payment Date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law);

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent and Registrar for the Notes at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the second Business Day prior to the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes the Holder delivered for purchase and a statement that such Holder is withdrawing its election to have such Note purchased;

(7) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Notes surrendered; *provided, however*, that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof; and

(8) the circumstances and relevant facts regarding such Change of Control.

(c) On the Change of Control Payment Date, the Company will, to the extent lawful: (x) accept for payment all Notes or portions of Notes properly tendered in the Change of Control Offer; (y) deposit with the Paying Agent an amount equal to the Change of Control Payment for all Notes or portions of Notes tendered; and (z) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(d) The Paying Agent will promptly mail to each Holder of Notes tendered the Change of Control Payment for them, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. Upon the payment of the Change of Control Payment, the Trustee shall return the Notes purchased to the Company for cancellation. For purposes of this Section 4.08, the Trustee shall act as the Paying Agent.

(e) Notwithstanding the foregoing, the Company will not be required to make a Change of Control Offer, as provided above, if, in connection with or in contemplation of any Change of Control, it or a third party has made an offer to purchase (an "Alternate Offer") any and all Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Notes properly tendered and not withdrawn in accordance with the terms of such Alternate Offer.

(f) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.08, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the provisions of this Section 4.08 by virtue thereof.

SECTION 4.09. Limitation on Incurrence of Additional Indebtedness and Issuance of Preferred Stock.

Prior to the Assumption Date, the Company will not incur any Indebtedness (including Acquired Debt) or issue any Disqualified Stock, except for the Notes.

From and after the Assumption Date:

(1) the Company will not, and will not permit any of its Restricted Subsidiaries to, incur any Indebtedness (including Acquired Debt);

(2) the Company will not, and will not permit any of its Restricted Subsidiaries to, issue any Disqualified Stock (including Acquired Disqualified Stock); and

(3) the Company will not permit any of its Restricted Subsidiaries that are not Subsidiary Guarantors to issue any shares of Preferred Stock (including Acquired Preferred Stock);

provided, however, that the Company and the Subsidiary Guarantors may incur Indebtedness (including Acquired Debt) and the Company and the Subsidiary Guarantors may issue shares of Disqualified Stock (including Acquired Disqualified Stock) if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which financial statements have been filed with the SEC pursuant to Section 4.18 immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2 to 1, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period, with any letters of credit and bankers' acceptances being deemed to have an aggregate principal amount of Indebtedness equal to the maximum amount available thereunder.

The immediately preceding paragraph will not apply to:

(i) (I) the incurrence by the Company or any Subsidiary Guarantor of Indebtedness pursuant to the Credit Facility in an aggregate principal amount at any time outstanding not to exceed the lesser of (x) $800 million and (y) the aggregate amount of the Credit Facility as specified in the Assumption Documentation, less the aggregate principal amount of all mandatory repayments applied to (a) repay loans (other than revolving credit loans) outstanding thereunder or (b) permanently reduce the revolving credit commitments thereunder (and the corresponding guarantees of the Subsidiary Guarantors thereunder) and (II) the incurrence by any Foreign Subsidiary of Indebtedness pursuant to the Credit Facility in an aggregate principal amount not to exceed the aggregate principal amount of Indebtedness incurred by Foreign Subsidiaries under the Credit Facility on the Assumption Date; *provided, however,* that if the Company or a Subsidiary Guarantor transfers any material assets to a Foreign Subsidiary that is a borrower under the Credit Facility, then, at the time of such transfer, there shall be deemed to be an incurrence of Indebtedness that is not permitted by this clause (i)(II) in the amount of Indebtedness that is outstanding under this clause (i)(II) at the time of such transfer;

(ii) the incurrence by the Company and the Subsidiary Guarantors of Indebtedness represented by the Notes (not including any Additional Notes) and Subsidiary Guarantees thereof, including any Exchange Securities issued for the Notes issued on the Issue Date;

(iii) the Existing Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness of the type described in clause (i), (ii), (v), (ix) or (x) of this Section 4.09);

(iv) the incurrence by the Company or any of its Restricted Subsidiaries of any Permitted Refinancing in exchange for, or the Net Proceeds of which are used to extend, refinance, renew, replace, defease or refund, Indebtedness that was permitted to be incurred under (A) the Fixed Charge Coverage Ratio test set forth above or (B) clauses (ii) and (iii) above, clause (xi) below or this clause (iv);

(v) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however,* that (i) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, then (other than intercompany notes that constitute Collateral) such Indebtedness is expressly subordinated by its terms to the prior payment in full in cash of all Obligations with respect to the Notes or the Subsidiary Guarantee, as the case may be, and (ii) (A) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute a simultaneous incurrence of such Indebtedness that is not permitted by this clause (v) by the Company or such Restricted Subsidiary, as the case may be;

(vi) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations that are incurred for the purpose of (A) fixing or hedging interest rate or currency risk with respect to any fixed or floating rate Indebtedness that is permitted by this Indenture to be outstanding which is designed solely to protect the Company or any Restricted Subsidiary against fluctuations in foreign currency exchange rates; *provided* that such Hedging Obligation does not increase the principal amount of any such Indebtedness other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder or (B) managing fluctuations in the price or cost of energy, raw materials, manufactured products or related commodities; *provided* that such obligations are entered into for valid business purposes other than speculative purposes (as determined by the Company's or such Restricted Subsidiary's principal financial officer in the exercise of his or her good faith business judgment);

(vii) the issuance by any of the Company's Restricted Subsidiaries of shares of Preferred Stock to the Company or a Wholly Owned Restricted Subsidiary; *provided* that (A) any subsequent issuance or transfer of Capital Stock that results in such Preferred Stock being held by a Person other than the Company or a Wholly Owned

Restricted Subsidiary or (B) the transfer or other disposition by the Company or a Wholly Owned Restricted Subsidiary of any such shares to a Person other than the Company or a Wholly Owned Restricted Subsidiary shall be deemed, in each case, to constitute an issuance of such Preferred Stock by such Subsidiary on such date that is not permitted by this clause (vii);

(viii) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by worker's compensation claims and other statutory or regulatory obligations, self-insurance obligations, tender, bid, performance, government contract, surety or appeal bonds, standby letters of credit and warranty and contractual service obligations of like nature, trade letters of credit or documentary letters of credit, in each case to the extent incurred in the ordinary course of business of the Company or such Restricted Subsidiary;

(ix) the incurrence of Indebtedness by Foreign Subsidiaries (not including Indebtedness incurred pursuant to clause (i)(II) above), the aggregate principal amount (or accreted value, as applicable) at any time outstanding and incurred in reliance upon this clause (ix), does not exceed $25 million;

(x) the Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be incurred by another provision of this Section 4.09;

(xi) Acquired Debt or Acquired Disqualified Stock; *provided* that such Indebtedness or Disqualified Stock was not incurred in connection with or in contemplation of such Person becoming a Restricted Subsidiary; and *provided further* that immediately after giving effect to such incurrence, the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which financial statements have been filed with the SEC pursuant to Section 4.18 immediately preceding the date of such incurrence would have been at least 2 to 1, determined on a *pro forma* basis (including giving *pro forma* effect to the applicable transaction related thereto);

(xii) Indebtedness consisting of take-or-pay obligations contained in supply agreements entered into in the ordinary course of business;

(xiii) the incurrence by the Company and the Subsidiary Guarantors of Purchase Money Obligations and Capital Lease Obligations in an aggregate principal amount not to exceed $50 million at any one time outstanding;

(xiv) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, contribution, earnout, adjustment of pur-

chase price or similar obligation, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary;

(xv) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided,* that such Indebtedness is extinguished within three business days of incurrence; and

(xvi) the incurrence by the Company or any Subsidiary Guarantor of Indebtedness or the issuance of Disqualified Stock, the aggregate principal amount (or accreted value, as applicable) or liquidation preference of which, together with all other Indebtedness and Disqualified Stock at the time outstanding and incurred in reliance on this clause (xvi), does not exceed $50 million.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (i) through (xvi) above or is entitled to be incurred pursuant to the first paragraph of this Section 4.09, the Company shall, in its sole discretion, classify on the date of incurrence (and from time to time reclassify in whole or in part) such item of Indebtedness or Preferred Stock in any matter that complies with this Section 4.09 and such Indebtedness or Preferred Stock will be treated as having been incurred pursuant to the clauses or the first paragraph hereof, as the case may be, designated by the Company *(provided* that all Indebtedness under the Credit Facility shall at all times be deemed to have been incurred pursuant to clause (i) of this Section 4.09). The amount of Indebtedness issued at a price which is less than the principal amount thereof shall be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

SECTION 4.10. Limitation on Restricted Payments.

Prior to the Assumption Date, the Company will not make any Restricted Payments (as defined below) or any Permitted Investments, except to the extent necessary to consummate the Solutia Assumption, perform its obligations under the Escrow Agreement and the transactions contemplated thereby, including any Investments deemed to exist by virtue of the Escrow Agreement.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Capital Stock, other than:

(x) dividends or distributions payable in Qualified Capital Stock of the Company, and

(y) dividends or distributions payable to the Company or any Restricted Subsidiary of the Company;

(2) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company, other than any such Capital Stock owned by the Company or any of its Restricted Subsidiaries;

(3) make any principal payment on, or purchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Debt of the Company or any Restricted Subsidiary, other than Indebtedness owed to the Company or any Restricted Subsidiary, except, in each case, payment of interest or principal at Stated Maturity; or

(4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above (other than any exception thereto) being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment (the amount of any such Restricted Payment, if other than cash, shall be the fair market value (as conclusively evidenced by a resolution of the Board of Directors) of the asset(s) proposed to be transferred by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment):

(a) no Default or Event of Default shall have occurred and be continuing after giving effect thereto; and

(b) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the most recently ended four full fiscal quarters for which financial statements have been filed with the SEC pursuant to Section 4.18 immediately preceding the date of such Restricted Payment, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09; and

(c) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries on or after the Issue Date (excluding Restricted Payments permitted by clause (b), (d) or (e) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the Issue Date to the end of the

Company's most recently ended fiscal quarter for which financial statements have been filed with the SEC pursuant to Section 4.18 at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

(ii) 100% of the aggregate net cash proceeds received by the Company from the issue or sale after the Issue Date of Qualified Capital Stock of the Company or of debt securities of the Company or any of its Restricted Subsidiaries that have been converted into or exchanged for such Qualified Capital Stock of the Company, *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date and was included in the calculation of aggregate Restricted Payments under this clause (c) is sold for cash or otherwise liquidated, repaid or otherwise reduced, including by way of dividend or distribution (to the extent not included in calculating Consolidated Net Income), for cash, the lesser of (A) the cash return with respect to such Restricted Investment (less the cost of disposition, if any) or (B) the initial amount of such Restricted Investment, *plus*

(iv) an amount equal to the sum of (A) the net reduction in Investments in Unrestricted Subsidiaries resulting from dividends, repayments of loans or other transfers of assets (to the extent not included in calculating Consolidated Net Income), in each case, to the Company or any Restricted Subsidiary from Unrestricted Subsidiaries and (B) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary;

provided, however, that the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Restricted Investments previously made after the Issue Date by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary that were included in the calculation above of aggregate Restricted Payments under this clause (c).

The foregoing provisions of this Section 4.10 will not prohibit the following Restricted Payments:

(a) the payment of any dividend within 90 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of this Indenture;

(b) dividends or distributions by any Wholly-Owned Restricted Subsidiary of the Company payable to the Company or another Wholly-Owned Restricted Subsidiary of the Company;

(c) so long as no Default or Event of Default has occurred and is continuing, the payment of cash dividends on any series of Disqualified Stock issued after the Issue Date in an aggregate amount not to exceed the cash received by the Company since the Issue Date upon issuance of such Disqualified Stock;

(d) the redemption, repurchase, retirement or other acquisition of any Capital Stock of the Company, any Restricted Subsidiary or any Joint Venture (or the acquisition of all the outstanding Capital Stock of any Person that conducts no operations and has no assets or liabilities other than the ownership of Capital Stock in a Joint Venture) in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary or Joint Venture of the Company) of, Qualified Capital Stock of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from (and shall not previously have been included in) clause (c)(ii) of the preceding paragraph;

(e) the defeasance, redemption or repurchase of Subordinated Debt with the net cash proceeds from an incurrence of Permitted Refinancing or in exchange for or out of the net cash proceeds from the substantially concurrent sale (other than to a Subsidiary or Joint Venture of the Company) of Qualified Capital Stock of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from (and shall not previously have been included in) clause (c)(ii) of the preceding paragraph;

(f) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Subsidiary of the Company held by any member of the Company's (or any of its Subsidiaries') management pursuant to any management equity subscription agreement or stock option agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock in reliance on this clause (f) shall not exceed $5 million in any calendar year;

(g) payments by the Company made pursuant to the Astaris Support Agreement as such agreement is in effect on the Issue Date or as such agreement may be amended, modified, supplemented or replaced, in whole or in part; *provided* that the aggregate amount of payments made in reliance on this clause (g) shall in no event exceed the maximum aggregate amount of payments required to be made by the Company after the Issue Date under the Astaris Support Agreement as in effect on the Issue Date;

(h) repurchases of shares of preferred stock of Solutia Management Company, Inc. in accordance with the terms of its stockholders agreement, dated as of December 29, 1998, in an amount not to exceed $1.5 million in the aggregate;

(i) Restricted Payments comprised of payments of dividends on, or repurchases of, the Company's common stock, in an aggregate amount not to exceed the lower of (x) $10 million per calendar year and (y) $0.04 per share; *provided* that no Default or Event of Default shall have occurred and be continuing after giving effect to such Restricted Payment;

(j) notwithstanding anything to the contrary contained herein, repurchases of Capital Stock deemed to occur upon the exercise of stock options, to the extent such repurchases represent a portion of the exercise price thereof or withholding of applicable taxes thereon and the purchase price, or applicable withholding taxes, for such repurchases is paid solely in Qualified Capital Stock; and

(k) additional Restricted Payments in an aggregate amount not to exceed $25 million.

If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Capital Stock of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the first paragraph of this Section 4.10.

Prior to the first time the Notes are rated Investment Grade, the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this Section 4.10 (except to the extent such Investments were repaid to the Company or a Restricted Subsidiary in cash). All such outstanding Investments will be deemed to constitute Investments in an amount equal to the fair market value of such Investments at the time of such designation, as conclusively determined by the Board of Directors. Such designation will only be permitted if any such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. In the case of any designation by the Company of a Person as an Unrestricted Subsidiary on the first day that such Person is a Subsidiary of the Company in accordance with the provisions of this Indenture, such

designation shall be deemed to have occurred for all purposes of this Indenture simultaneously with, and automatically upon, such Person becoming a Subsidiary.

SECTION 4.11. Limitation on Liens.

Prior to the Assumption Date, the Company will not, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind upon any of its assets, now owned or hereafter acquired, or upon any income or profits therefrom or assign any rights to receive income therefrom, other than as contemplated by the Escrow Agreement.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien, except Permitted Liens, on any asset now owned or hereafter acquired, or any income or profits therefrom, unless all payments due under this Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured (or, if such obligations are subordinated by their terms to the Notes or the Subsidiary Guarantees, prior to the obligations so secured) until such time as such obligations are no longer secured by a Lien.

SECTION 4.12. Limitation on Asset Sales.

(a) Prior to the Assumption Date, the Company will not consummate an Asset Sale except to the extent necessary to consummate the transactions contemplated by the Escrow Agreement, including the Solutia Assumption and the related release to Solutia of the Escrow Assets.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Company and/or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as conclusively evidenced by an Officers' Certificate delivered to the Trustee or, if such Asset Sale involves aggregate consideration in excess of $20 million, a resolution of the Board of Directors that is set forth in an Officers' Certificate delivered to the Trustee) of the assets or Capital Stock issued or sold or otherwise disposed of,

(ii) at least 75% of the consideration therefor received by the Company and/or such Restricted Subsidiary is in the form of cash or Cash Equivalents, and

(iii) if such Asset Sale involves the transfer of Collateral, (a) it complies with the applicable provisions of the Security Documents and (b) all consideration received

in such Asset Sale (including Additional Assets) shall, if applicable, be expressly made subject to the Lien under the Security Documents;

provided that the amount of (x) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or any Restricted Subsidiary (other than Subordinated Debt) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and (y) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee, to the extent they are promptly converted or monetized by the Company or such Restricted Subsidiary into cash (to the extent of the cash received), shall be deemed to be cash for purposes of this provision.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply such Net Proceeds, at its option:

(a) to permanently repay Applicable Pari Passu Indebtedness (and to correspondingly reduce commitments with respect thereto in the case of revolving borrowings); or

(b) to acquire Additional Assets (to the extent otherwise permitted by this Indenture) or make a capital expenditure, in each case, in a Permitted Business (or enter into a binding commitment for any such acquisition or expenditure); *provided* that such binding commitment shall be treated as a permitted application of Net Proceeds from the date of such commitment until and only until the earlier of (x) the date on which such expenditure or acquisition is consummated and (y) the 180th day following the expiration of the aforementioned 360 day period. If the acquisition or expenditure contemplated by such binding commitment is not consummated on or before such 180th day and the Company shall not have applied such Net Proceeds pursuant to clause (a) above on or before such 180th day, such commitment shall be deemed not to have been a permitted application of Net Proceeds at any time.

Pending the final application of any such Net Proceeds, the Company may temporarily reduce the revolving Indebtedness under the Credit Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds." On any date that the aggregate amount of Excess Proceeds under this Indenture exceeds $25 million (an "Asset Sale Offer Trigger Date"), the Company will be required to make an offer to all Holders of Notes issued under this Indenture (an "Asset Sale Offer") to purchase the maximum principal amount of Notes and, if the Company is required to do so under the terms of any other Indebtedness ranking *pari passu* with such Notes ("Other Indebtedness"), such other Indebtedness on a *pro rata* basis with the Notes that may be purchased out of the Excess Proceeds, at a purchase price in

cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, thereon, to the date of purchase in accordance with the procedures set out in this Indenture. To the extent that the aggregate amount of Notes (and any Other Indebtedness subject to such Asset Sale Offer) tendered pursuant to such Asset Sale Offers is less than the Excess Proceeds, the Company may, subject to the other terms of this Indenture, use any remaining Excess Proceeds for any purpose not prohibited by this Indenture. If the aggregate principal amount of Notes surrendered by Holders thereof in connection with any Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a *pro rata* basis. Upon completion of the offer to purchase made under this Indenture, the amount of Excess Proceeds that was the subject of such offer to purchase shall be reset at zero.

(b) The Company shall mail (or cause the Trustee to mail) a notice of a Asset Sale Offer by first-class mail, postage prepaid, to the record Holders as shown on the register of Holders within 30 days following the Asset Sale Offer Trigger Date, with a copy, if such notice is being mailed by the Company, to the Trustee, containing all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer and shall state the following terms:

(1) that the Asset Sale Offer is being made pursuant to this Section 4.12, that all Notes tendered will be accepted for payment; *provided, however*, that if the aggregate principal amount of Notes and other Indebtedness tendered in a Asset Sale Offer plus accrued interest at the expiration of such offer exceeds the Excess Proceeds, the Company shall select on a *pro rata* basis, the Notes and Other Indebtedness to be purchased (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000, as applicable, or multiples thereof shall be purchased);

(2) the offer price (including the amount of accrued interest) and the Asset Sale Offer date of payment ("Asset Sale Offer Payment Date"), which shall be not less than 30 nor more than 60 days following the date notice of the applicable Asset Sale Offer is mailed;

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Asset Sale Offer Payment Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer will be required to surrender such Note, with the form enti-

tled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Asset Sale Offer Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the second Business Day prior to the Asset Sale Offer Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of the Notes such Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased; and

(7) that Holders whose Notes are purchased only in part will be issued new Notes in a principal amount equal to the unpurchased portion of the Note surrendered; *provided, however*, that each Note purchased and each new Note issued shall be in a principal amount of $1,000 or integral multiples thereof.

(c) On or before the Asset Sale Offer Payment Date, the Company shall (1) accept for payment Notes or portions thereof (in integral multiples of $1,000) validly tendered pursuant to the Asset Sale Offer, (2) deposit with the Paying Agent an amount sufficient to pay the purchase price plus accrued and unpaid interest, if any, of all Notes to be purchased and (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company. Upon receipt by the Paying Agent of the monies specified in clause (b) above and a copy of the Officers' Certificate specified in clause (3) above, the Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price plus accrued and unpaid interest, if any, out of the funds deposited with the Paying Agent in accordance with the preceding sentence. The Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to such Holders new Notes equal in principal amount to any unpurchased portion of the Notes surrendered, if any. Upon the payment of the purchase price for the Notes accepted for purchase, the Trustee shall return the Notes purchased to the Company for cancellation. Any monies remaining after the purchase of Notes pursuant to a Asset Sale Offer shall be returned within three business days by the Trustee to the Company except with respect to monies owed as obligations to the Trustee pursuant to Article Seven. For purposes of this Section 4.12, the Trustee shall act as the Paying Agent.

(d) To the extent the amount of Notes tendered pursuant to any Asset Sale Offer is less than the amount of Net Cash Proceeds subject to such Asset Sale Offer, the Company may use any remaining portion of such Net Cash Proceeds not required to fund the

repurchase of tendered Notes for any purpose not prohibited by the Indenture and the amount of Excess Proceeds shall be reset to zero.

(e) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.12, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the provisions of this Section 4.12 by virtue thereof.

SECTION 4.13. Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any restriction on the ability of any Restricted Subsidiary to:

(i) (a) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries

(1) on its Capital Stock, or

(2) with respect to any other interest or participation in, or measured by, its profits, or

(b) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(ii) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries;

except for such restrictions existing under or by reason of:

(a) existing agreements as in effect on the Issue Date, including any amendment, modification or supplement thereof *provided* that such amendment, modification or supplement is materially no more restrictive than such existing agreement as in effect on the Issue Date;

(b) Indebtedness permitted by this Indenture to be incurred containing restrictions on the ability of Restricted Subsidiaries to consummate transactions of the types described in clause (i), (ii) or (iii) above not materially more restrictive than those contained in this Indenture and the Security Documents;

(c) this Indenture and the Security Documents;

(d) applicable law;

(e) existing restrictions with respect to a Person acquired by the Company or any of its Restricted Subsidiaries (except to the extent such restrictions were put in place in connection with or in contemplation of such acquisition), which restrictions are not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) customary non-assignment provisions in leases and other agreements entered into in the ordinary course of business;

(g) construction loans and Purchase Money Obligations (including Capital Lease Obligations) for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so constructed or acquired;

(h) in the case of clause (iii) above, restrictions contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreements or mortgages;

(i) a Permitted Refinancing; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(j) any restriction with respect to shares of Capital Stock of a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of such shares of Capital Stock or any restriction with respect to the assets of a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of such assets or all or substantially all the Capital Stock of such Restricted Subsidiary pending the closing of such sale or disposition; and

(k) the Credit Facility and related documentation as the same is in effect on the Assumption Date and as amended, modified, extended, renewed, refunded, refi-

nanced, restated or replaced from time to time; *provided* that the Credit Facility and related documentation as so amended, modified, extended, reviewed, refunded, refinanced, restated or replaced is not materially more restrictive, taken as a whole, as to the matters enumerated above than the Credit Facility and related documentation as in effect on the Assumption Date.

For purposes of determining compliance with this Section 4.13, in the event that a restriction meets the criteria of more than one of the categories of permitted restrictions described in clauses (a) through (k) above, the Company shall, in its sole discretion, classify such restriction in any matter that complies with this Section 4.13 and such restriction will be treated as existing pursuant to the clauses designated by the Company.

SECTION 4.14. Limitation on Transactions with Affiliates.

Prior to the Assumption Date, the Company will not enter into or suffer to exist any Affiliate Transaction (as defined below) other than to the extent necessary to consummate the Solutia Assumption and the transactions contemplated thereby.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make any contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (i) the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Company and (ii) the Company delivers to the Trustee (a) with respect to any Affiliate Transaction involving aggregate consideration in excess of $10 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the Disinterested Members of the Board of Directors and (b) with respect to any Affiliate Transaction involving aggregate consideration in excess of $25 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an investment banking firm of national standing; *provided* that:

(i) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(ii) transactions between or among the Company and/or its Restricted Subsidiaries;

(iii) customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(iv) transactions pursuant to any contract or agreement in effect on the Issue Date, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Company and its Restricted Subsidiaries in any material respect than the contract or agreement as in effect on the Issue Date;

(v) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of Section 4.10; and

(vi) any transaction entered into on an arm's-length basis in the ordinary course of business between the Company or any of its Restricted Subsidiaries, on the one hand, and any Joint Venture, on the other hand; *provided,* that any such transaction (or series of related transactions) that involves $25 million or more in the aggregate shall be subject to prior approval by the Disinterested Members of the Board of Directors,

in each case, shall be deemed not to be Affiliate Transactions and therefore (except as otherwise specified in such clauses) not subject to the requirements of clauses (i) and (ii) of the initial paragraph above.

SECTION 4.15. Limitation on Sale and Leaseback Transactions.

Prior to the Assumption Date, the Company will not enter into any Sale and Leaseback Transaction.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Company or such Restricted Subsidiary, as the case may be, could have:

(i) incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction pursuant to Section 4.09 and

(ii) incurred a Lien to secure such Indebtedness pursuant to Section 4.11 without securing the Notes; and

(b) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the fair market value of the property that is the subject of such Sale and Leaseback Transaction.

SECTION 4.16. [Reserved].

SECTION 4.17. Line of Business.

Prior to the Assumption Date, the Company will not engage in any line of business other than as necessary to perform its obligations under this Indenture, the Escrow Agreement and the Solutia Assumption.

From and after the Assumption Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

SECTION 4.18. Reports to Holders. 12/31 4/1 - 4/15

Whether or not the Company and the Subsidiary Guarantors are then subject to Section 13 (a) or 15(d) of the Exchange Act, from and after the Assumption Date, the Company and the Subsidiary Guarantors will electronically file with the SEC, so long as the Notes are outstanding, the annual reports, quarterly reports and other periodic reports that the Company and the Subsidiary Guarantors would be required to file with the SEC pursuant to Section 13(a) or 15 (d) if the Company and the Subsidiary Guarantors were so subject, and such documents will be filed with the SEC on or prior to the respective dates (the "Required Filing Dates") by which the Company and the Subsidiary Guarantors would be required so to file such documents if the Company and the Subsidiary Guarantors were so subject, unless, in any case, such filings are not then permitted by the SEC.

If such filings with the SEC are not then permitted by the SEC, or such filings are not generally available on the Internet free of charge, from and after the Assumption Date, the Company and the Subsidiary Guarantors will, without charge to the Holders, within 15 days of each Required Filing Date, transmit by mail to Holders, as their names and addresses appear in the note register, and file with the Trustee copies of the annual reports, quarterly reports and other periodic reports that the Company and the Subsidiary Guarantors would be required to file with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act if the Company and the Subsidiary Guarantors were subject to such Section 13(a) or 15(d) and, promptly upon written request, supply copies of such documents to any prospective Holder or beneficial owner at the Company's cost.

In addition, from and after the Solutia Assumption, the Company and the Subsidiary Guarantors will, for so long as any Notes remain outstanding, furnish to the Holders of the Notes and to securities analysts and prospective investors, upon their request, the information if any, required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SECTION 4.19. Creation of Subsidiaries; Guarantees by Restricted Subsidiaries.

(a) Prior to the Assumption Date, the Company will not create or acquire any Subsidiaries.

(b) From and after the Assumption Date, the Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee or secure the payment of any other Indebtedness of the Company or any of its Restricted Subsidiaries unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to this Indenture providing for a Subsidiary Guarantee of the payment of the Notes by such Restricted Subsidiary; *provided* that this Section 4.19(b) shall not be applicable to:

(i) any Guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(ii) to the extent permitted under Section 4.09, Guarantees of Indebtedness of a Restricted Subsidiary that is a Foreign Subsidiary by a Restricted Subsidiary that is a Foreign Subsidiary; or

(iii) any Guarantee arising under or in connection with performance bonds, indemnity bonds, surety bonds or letters of credit or bankers' acceptances.

(c) If the Guaranteed Indebtedness is subordinated in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to that effect, the Guarantee of such guaranteed Indebtedness must be subordinated in right of payment to the Subsidiary Guarantee to at least the extent that the Guaranteed Indebtedness is subordinated to the Notes.

SECTION 4.20. Covenants Applicable if Notes Rated Investment Grade.

Notwithstanding anything in this Indenture, from and after the first date when the Notes are rated Investment Grade, the Company's obligations to comply with the provisions of the Indenture described under Sections 4.08, 4.09, 4.10, 4.13, 4.14, 4.15, 4.17 and Section 5.01(3) will terminate and cease to have any further effect.

In addition to the foregoing, from and after the first date when the Notes are rated Investment Grade, the following shall apply:

> The Company will not, nor will it permit any Restricted Subsidiary to, enter into any Sale and Lease-Back Transaction (except a lease for a temporary period not exceeding three years) after the Issue Date covering any Principal Property, which was or is owned or leased by the Company or a Restricted Subsidiary and which has been or is to be sold or transferred more than 120 days after the acquisition or completion of construction and commencement of full operation thereof, unless (a) the Attributable Debt in respect thereto and all other Sale and Lease-Back Transactions entered into after the date of the Indenture (other than those the proceeds of which are applied to reduce Indebtedness under (b) below), plus the aggregate amount of then outstanding secured Indebtedness not otherwise permitted or excepted without equally and ratably securing the Notes, does not exceed 15% of the Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries or (b) an amount equal to the fair value of the Principal Property leased is applied within 120 days to the voluntary retirement of the Note or other Indebtedness maturing more than one year thereafter.

ARTICLE FIVE

SUCCESSOR CORPORATION

SECTION 5.01. Consolidation, Merger and Sale of Assets.

Except in connection with the Solutia Assumption and the related release of the Escrow Assets or the redemption of the Notes, prior to the Assumption Date the Company will not, in a single transaction or a series of related transactions, consolidate or merge with or into (whether or not the Company is the surviving entity) or transfer all or substantially all of its properties or assets to another Person.

Except in connection with the Solutia Assumption, from and after the Assumption Date, the Company may not consolidate with or merge with or into, or sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets in one or more related transactions to, any Person, or permit any Person to merge with or into it unless each of the following conditions is satisfied:

(1) immediately after giving effect to such transaction and any related incurrence of Indebtedness or issuance of Disqualified Stock, no Default or Event of Default shall have occurred and be continuing;

(2) either (i) the Company shall be the continuing Person, or (ii) the entity formed by such consolidation or into which the Company is merged, or the Person to which such properties and assets will have been conveyed, transferred or leased, assumes the Company's obligation as to the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Notes and the performance and observance of every covenant to be performed by the Company under this Indenture, the Notes and the Security Documents; any such entity will be organized under the laws of the United States, one of the States thereof or the District of Columbia;

(3) the Company or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition shall have been made, except with respect to a consolidation or merger of the Company with or into a Person that has no outstanding Indebtedness, will, at the time of such transaction and after giving *pro forma* effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, have a Fixed Charge Coverage Ratio of at least 2 to 1; and

(4) the Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that the transaction complies with these conditions.

The foregoing shall not prohibit the merger or consolidation of a Wholly Owned Restricted Subsidiary with the Company; *provided* that, in connection with any such merger or consolidation, no consideration, other than Qualified Capital Stock in the Surviving Person or the Company, shall be issued or distributed to the holders of Capital Stock of the Company.

No Subsidiary Guarantor will be permitted to:

(i) consolidate with or merge with or into any Person; or

(ii) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(iii) permit any Person to merge with or into the Subsidiary Guarantor

unless:

(A) the other Person is the Company or any Wholly Owned Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

(B) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Subsidiary Guarantee; and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing;

or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by this Indenture.

The sale, assignment, transfer, conveyance or other disposition by the Company of all or substantially all its property or assets taken as a whole to one or more of the Company's Subsidiaries shall not relieve the Company from its obligations under this Indenture and the Notes. In addition, the Company will not lease all or substantially all its assets in one or more related transactions to another Person.

SECTION 5.02. Successor Person Substituted.

Upon any consolidation or merger, or any transfer of all or substantially all of the assets of either the Company or any Restricted Subsidiary in accordance with Section 5.01 above, the successor corporation formed by such consolidation or into which the Company is merged or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power the Company or such Restricted Subsidiary under this Indenture with the same effect as if such successor corporation had been named as the Company or such Restricted Subsidiary herein, and thereafter the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Notes.

ARTICLE SIX

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.

Each of the following constitutes an "Event of Default" with respect to the Notes:

(1) default for 30 days in the payment when due of interest on the Notes;

(2) default in payment when due of the principal of or premium, if any, on the Notes, at maturity or otherwise;

(3) failure by the Company to comply with the provisions in Section 4.08, Section 4.12 or Section 5.01;

(4) failure by the Company for 90 days after receipt of notice by the Trustee or Holders of at least 25% in principal amount of the then outstanding Notes issued thereunder to comply with any of the other agreements in this Indenture, the Notes or the Security Documents;

(5) any default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Significant Subsidiaries (or any Indebtedness for money borrowed Guaranteed by the Company or any of its Significant Subsidiaries if the Company or a Significant Subsidiary does not perform its payment obligations under such Guarantee within any grace period provided for in the documentation governing such Guarantee), whether such Indebtedness or Guarantee exists on the Issue Date or is thereafter created, which default (a) constitutes a Payment Default or (b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or that has been so accelerated, aggregates $35 million or more;

(6) failure by the Company or any of its Significant Subsidiaries to pay a final judgment or final judgments aggregating in excess of $35 million, which judgment or judgments are not paid, discharged or stayed, for a period of 60 days;

(7) (A) a court having jurisdiction over the Company or any of its applicable Significant Subsidiaries enters (x) a decree or order for relief in respect of the Company or any of its Significant Subsidiaries in an involuntary case or proceeding

under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (y) a decree or order adjudging the Company or any of its Significant Subsidiaries a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any of its Significant Subsidiaries under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any of its Significant Subsidiaries or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days or (B) the Company or any Significant Subsidiary (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all the property and assets of the Company or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors; or

(8) any Subsidiary Guarantee or any Security Document (or any security interest created thereby) shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or the Company or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, shall deny or disaffirm its obligations under any Subsidiary Guarantee or any Security Document.

SECTION 6.02. Acceleration of Maturity; Rescission.

If an Event of Default (other than an Event of Default specified in 6.01(7) occurs with respect to the Company or any Subsidiary Guarantor) occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of and premium, if any, and accrued interest, if any, on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium, if any, and accrued interest, if any, shall be immediately due and payable. If an Event of Default specified in 6.01(7) occurs with respect to the Company or any Subsidiary Guarantor, the principal of and premium, if any, and accrued interest, if any, on the Notes then outstanding shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce

any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

The Holders of at least a majority in principal amount of the outstanding Notes, by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(i) all existing Events of Default, other than the nonpayment of the principal of and premium, if any, and interest, if any, on such Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

SECTION 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, or premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture and may take any necessary action requested of it as Trustee to settle, compromise, adjust or otherwise conclude any proceedings to which it is a party.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Noteholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative. Any costs associated with actions taken by the Trustee under this Section 6.03 shall be reimbursed to the Trustee by the Company.

SECTION 6.04. Waiver of Past Defaults and Events of Default.

Provided the Notes are not then due and payable by reason of a declaration of acceleration, the Holders of a majority in principal amount of Notes at the time outstanding may on behalf of the Holders of all the Notes waive any past Default with respect to such Notes and its consequences by providing written notice thereof to the Company and the Trustee, except a Default (1) in the payment of interest on or the principal of any Note or (2) in respect of a covenant or provision hereof which under this Indenture cannot be modified or amended without the consent of the Holder of each outstanding Note affected. In the case of any such waiver, the Company, the Trustee and the Holders of the Notes will be restored to

their former positions and rights under this Indenture, respectively; *provided* that no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

SECTION 6.05. Control by Majority.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of the Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of the Notes. A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

(1) the Holder gives the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of at least a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of or premium, if any, or interest, if any, on such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

SECTION 6.06. Limitation on Suits.

A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

(1) the Holder gives the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of at least a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

A Noteholder may not use this Indenture to prejudice the rights of another Noteholder or to obtain a preference or priority over another Noteholder.

SECTION 6.07. No Personal Liability of Directors, Officers, Employees and Stockholders.

No director, officer, employee, incorporator, member of the Board of Directors or holder of Capital Stock of the Company or any Subsidiary Guarantor, as such, will have any liability for any obligations of the Company and the Subsidiary Guarantors under the Notes, the Subsidiary Guarantees, this Indenture or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. This waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

SECTION 6.08. Rights of Holders To Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of the principal of or premium, if any, or interest, if any, on such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes shall not be impaired or affected without the consent of the Holder.

SECTION 6.09. Collection Suit by Trustee.

If an Event of Default in payment of principal, premium or interest specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or any Subsidiary Guarantor (or any other obligor on the Notes) for the whole amount of unpaid principal and accrued interest remaining unpaid, together with interest on overdue principal and, to the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate

set forth in the Notes, and such further amounts as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.10. Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07) and the Noteholders allowed in any judicial proceedings relative to the Company or any Subsidiary Guarantor (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same after deduction of its charges and expenses to the extent that any such charges and expenses are not paid out of the estate in any such proceedings and any custodian in any such judicial proceeding is hereby authorized by each Noteholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Noteholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Noteholder any plan or reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Noteholder thereof, or to authorize the Trustee to vote in respect of the claim of any Noteholder in any such proceedings. All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Noteholders in respect of which such judgment has been recovered.

SECTION 6.11. Priorities.

If the Trustee collects any money pursuant to this Article Six, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Noteholders for amounts due and unpaid on the Notes for principal, premium, if any, and interest (including Liquidated Damages, if any) as to each,

ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes; and

THIRD: to the Company or, to the extent the Trustee collects any amount from any Subsidiary Guarantor, to such Subsidiary Guarantor.

The Trustee may fix a record date and payment date for any payment to Noteholders pursuant to this Section 6.11.

SECTION 6.12. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.12 does not apply to a suit by the Trustee, a suit by a Noteholder pursuant to Section 6.08 or a suit by Noteholders of more than 10% in principal amount of the Notes then outstanding.

ARTICLE SEVEN

TRUSTEE

SECTION 7.01. Duties of Trustee.

(a) If an Event of Default actually known to a Responsible Officer of the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the same circumstances in the conduct of his or her own affairs.

The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(b) Except during the continuance of an Event of Default:

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture but, in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate, subject to the requirement in the preceding sentence, if applicable.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

(2) The Trustee shall not be liable for any error of judgment made in good faith, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to the terms hereof.

(4) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its rights, powers or duties if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, paragraphs (a), (b), (c) and (e) of this Section 7.01 shall govern every provision of this Indenture that in any way relates to the Trustee.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity

satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company or any Subsidiary Guarantor. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by the law.

SECTION 7.02. Rights of Trustee.

Subject to Section 7.01:

(1) The Trustee may conclusively rely on any document (whether in its original or facsimile form) reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(2) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, or both, which shall conform to the provisions of Section 12.05. The Trustee shall be protected and shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(3) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed by it with due care.

(4) The Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers; *provided* that the Trustee's conduct does not constitute gross negligence or bad faith.

(5) The Trustee may consult with counsel of its selection, and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(6) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other person employed to act hereunder.

SECTION 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may make loans to, accept deposits from, perform services for or otherwise deal with the either of the Company or any Subsidiary Guarantor, or any Affiliates thereof, with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, shall be subject to Sections 7.10 and 7.11.

SECTION 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes or any Guarantee, it shall not be accountable for the Company's or any Subsidiary Guarantor's use of the proceeds from the sale of Notes or any money paid to the Company or any Subsidiary Guarantor pursuant to the terms of this Indenture and it shall not be responsible for any statement in the Notes, Guarantee or this Indenture other than its certificate of authentication.

SECTION 7.05. Notice of Defaults.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall give to each Noteholder a notice of the Default within 90 days after it occurs in the manner and to the extent provided in the TIA and otherwise as provided in this Indenture. Except in the case of a Default in payment of the principal of or interest on any Note (including payments pursuant to a redemption or repurchase of the Notes pursuant to the provisions of this Indenture), the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Noteholders.

SECTION 7.06. Reports by Trustee to Holders.

If required by TIA § 313(a), within 60 days after May 15 of any year, commencing 2002 the Trustee shall mail to each Noteholder a brief report dated as of such date that complies with TIA § 313(a). The Trustee also shall comply with TIA § 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA § 313(c) and TIA § 313(d).

Reports pursuant to this Section 7.06 shall be transmitted by mail:

(1) to all Holders of Notes, as the names and addresses of such Holders appear on the Registrar's books; and

(2) to such Holders of Notes as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for that purpose.

A copy of each report at the time of its mailing to Noteholders shall be filed with the Commission and each stock exchange on which the Notes are listed. The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange or delisted therefrom.

SECTION 7.07. Compensation and Indemnity.

The Company and the Subsidiary Guarantors shall pay to the Trustee and Agents from time to time reasonable compensation for their services hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust). The Company and the Subsidiary Guarantors shall reimburse the Trustee and Agents upon request for all reasonable disbursements, expenses and advances incurred or made by them in connection with the Trustee's duties under this Indenture, including the reasonable compensation, disbursements and expenses of the Trustee's agents and external counsel, except any expense disbursement or advance as may be attributable to its negligence or bad faith.

The Company and the Subsidiary Guarantors, jointly and severally, shall fully indemnify each of the Trustee and any predecessor Trustee for, and hold each of them harmless against, any and all loss, damage, claim, liability or expense, including without limitation taxes (other than taxes based on the income of the Trustee or such Agent) and reasonable attorneys' fees and expenses incurred by each of them in connection with the acceptance or performance of its duties under this Indenture including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder (including, without limitation, settlement costs). The Trustee or Agent shall notify the Company and the Subsidiary Guarantors in writing promptly of any claim of which a Responsible Officer of the Trustee has actual knowledge asserted against the Trustee or Agent for which it may seek indemnity; *provided* that the failure by the Trustee or Agent to so notify the Company and the Subsidiary Guarantors shall not relieve the Company and Subsidiary Guarantors of their obligations hereunder except to the extent the Company and the Subsidiary Guarantors are actually prejudiced thereby. In the event that a conflict of interest exists, the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel.

Notwithstanding the foregoing, the Company and the Subsidiary Guarantors need not reimburse the Trustee for any expense or indemnify it against any loss or liability to have been incurred by the Trustee through its own negligence or bad faith.

To secure the payment obligations of the Company and the Subsidiary Guarantors in this Section 7.07, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee except for Escrow Assets and such money or property held in trust to pay principal of and interest on particular Notes.

The obligations of the Company and the Subsidiary Guarantors under this Section 7.07 to compensate and indemnify the Trustee, Agents and each predecessor Trustee and to pay or reimburse the Trustee, Agents and each predecessor Trustee for expenses, disbursements and advances shall be joint and several liabilities of the Company and each of the Subsidiary Guarantors and shall survive the resignation or removal of the Trustee and the satisfaction, discharge or other termination of this Indenture, including any termination or rejection hereof under any Bankruptcy Law.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6) or (7) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

For purposes of this Section 7.07, the term "Trustee" shall include any trustee appointed pursuant to this Article Seven.

SECTION 7.08. Replacement of Trustee.

The Trustee may resign by so notifying the Company and the Subsidiary Guarantors in writing. The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by notifying the Company and the removed Trustee in writing and may appoint a successor Trustee with the Company's written consent, which consent shall not be unreasonably withheld. The Company may remove the Trustee at its election if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Notes may petition at the expense of the Company any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Noteholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately following such delivery, the retiring Trustee shall, subject to its rights under Section 7.07, transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Noteholder. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Consolidation, Merger, etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another corporation, subject to Section 7.10, the successor corporation without any further act shall be the successor Trustee; *provided* such entity shall be otherwise qualified and eligible under this Article Seven.

SECTION 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA § 310(a)(1) and (2) in every respect. The Trustee (together with its corporate parent) shall have a combined capital and surplus of at least $100 million as set forth in the most recent applicable published annual report of condition. The Trustee shall comply with TIA § 310(b), including the provision in § 310(b)(1).

SECTION 7.11. Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311 (b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

SECTION 7.12. Paying Agents.

The Company shall cause each Paying Agent other than the Trustee to execute and deliver to it and the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 7.12:

(A) that it will hold all sums held by it as agent for the payment of principal of, or premium, if any, or interest on, the Notes (whether such sums have been paid to it by the Company or by any obligor on the Notes) in trust for the benefit of Holders of the Notes or the Trustee;

(B) that it will at any time during the continuance of any Event of Default, upon written request from the Trustee, deliver to the Trustee all sums so held in trust by it together with a full accounting thereof; and

(C) that it will give the Trustee written notice within three (3) Business Days of any failure of the Company (or by any obligor on the Notes) in the payment of any installment of the principal of, premium, if any, or interest on, the Notes when the same shall be due and payable.

ARTICLE EIGHT

MODIFICATION AND WAIVER

SECTION 8.01. Without Consent of Noteholders.

(a) The Company and Trustee may modify and amend this Indenture or any Security Document without the consent of any Holder (including entering into the Security Documents on the Assumption Date), for any of the following purposes:

(i) to cure any ambiguity, omission, defect or inconsistency in this Indenture or any Security Document;

(ii) to provide for the assumption by a successor of the Company of its obligations under this Indenture or any Security Document;

(iii) to provide for uncertificated Notes, subject to certain conditions;

(iv) to secure the Notes under this Indenture, to add Subsidiary Guarantees with respect to the Notes, or to confirm and evidence the release, termination or discharge of any such security or Subsidiary Guarantee when such release, termination or discharge is permitted elsewhere in this Indenture;

(v) to add to the covenants of the Company for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Company;

(vi) to provide for or confirm the issuance of Additional Notes;

(vii) to make any other change that does not adversely affect the rights of any Holder;

(viii) to comply with any requirement of the SEC in connection with qualification of this Indenture under the Trust Indenture Act or otherwise; or

(ix) to add or release Collateral as permitted under the terms of this Indenture or the Security Documents.

(b) On the Assumption Date, SOI Funding, Solutia, the Subsidiary Guarantors and Trustee (without notice to or the consent of any Holder) shall enter into the supplemental indenture attached as Exhibit B to the Escrow Agreement (the "Assumption Date Supplemental Indenture"), pursuant to which Solutia will assume the obligations of SOI Funding hereunder, and the Subsidiary Guarantors shall each execute the notation of guarantee in the form of Exhibit F and deliver same to the Trustee. In addition (without notice to or consent of any Holder), the Trustee and the other parties thereto shall enter into the Junior Security Agreement and the Junior Intercreditor Agreement, substantially in the forms attached hereto as Exhibit G and Exhibit H, respectively.

SECTION 8.02. With Consent of Noteholders.

(a) The Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any provision of this Indenture or any Security Document or modifying the rights of such Holders (it being understood that the provisions of the Security Documents which may by their terms be amended or waived without the consent of the Noteholders do not require the consent of the Noteholders contemplated hereby).

(b) However, no modification or amendment may, without the consent of each Holder affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note or alter the provisions with respect to redemption,

(2) reduce the principal amount of or premium, if any, or interest, if any, on any Note,

(3) reduce any amount payable upon the occurrence of an Event of Default,

(4) after the obligation has arisen to make a Change of Control Offer or an Asset Sale Offer, amend, change or modify in any material respect the obligation of the Company to make and complete such Change of Control Offer or make and complete such Asset Sale Offer,

(5) change the place or currency of payment of principal of or premium, if any, or interest, if any, on any Note,

(6) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the Redemption Date) of any Note,

(7) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend this Indenture,

(8) waive a default in the payment of principal of or premium, if any, or interest, if any, on the Notes (except as set forth under Section 6.01),

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of this Indenture or for waiver of certain defaults,

(10) modify or change any provision of this Indenture affecting the ranking of the Notes or the Subsidiary Guarantees in a manner adverse to the Holders of the Notes, or

(11) release any Subsidiary Guarantor from any of its obligations under its Subsidiary Guarantee or this Indenture other than in accordance with the other provisions of this Indenture, or amend or modify any provision relating to such release.

(c) It shall not be necessary for the consent of the Holders under this Section 8.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

(d) After an amendment, supplement or waiver under Section 8.01 or this Section 8.02 becomes effective, the Company shall mail to the Holders a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

(e) Upon the written request of the Company accompanied by a board resolution authorizing the execution of any such supplemental indenture, and upon the receipt by the Trustee of evidence reasonably satisfactory to the Trustee of the consent of the Noteholders as aforesaid and upon receipt by the Trustee of the documents described in Section 8.06, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities un-

der this Indenture, in which case the Trustee may, but shall not be obligated to, enter into such supplemental indenture.

SECTION 8.03. Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes shall comply with the TIA as then in effect.

SECTION 8.04. Revocation and Effect of Consents.

(a) After an amendment, supplement, waiver or other action becomes effective, a consent to it by a Holder of a Note is a continuing consent conclusive and binding upon such Holder and every subsequent Holder of the same Note or portion thereof, and of any Note issued upon the transfer thereof or in exchange therefor or in place thereof, even if notation of the consent is not made on any such Note.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Noteholders entitled to consent to any amendment, supplement, or waiver. If a record date is fixed, then, notwithstanding the preceding paragraph, those Persons who were Noteholders at such record date (or their duly designated proxies), and only such Persons, shall be entitled to consent to such amendment, supplement, or waiver or to revoke any consent previously given, whether or not such Persons continue to be Noteholders after such record date. No such consent shall be valid or effective for more than 90 days after such record date unless the consent of the requisite number of Noteholders has been obtained.

(c) After an amendment, supplement, waiver or other action becomes effective, it shall bind every Noteholder, unless it makes a change described in any of clauses (1) through (9) of Section 8.02. In that case the amendment, supplement, waiver or other action shall bind each Noteholder who has consented to it and every subsequent Noteholder or portion of a Note that evidences the same debt as the consenting Holder's Note.

SECTION 8.05. Notation on or Exchange of Notes.

If an amendment, supplement, or waiver changes the terms of a Note, the Trustee (in accordance with the specific written direction of the Company) shall request the Holder of the Note (in accordance with the specific written direction of the Company) to deliver it to the Trustee. In such case, the Trustee shall place an appropriate notation on the Note about the changed terms and return it to the Noteholder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue, the Subsidiary Guarantors shall endorse, and the Trustee shall authenticate a new Note that reflects the changed

terms. Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 8.06. Trustee To Sign Amendments, etc.

The Trustee shall sign any amendment, supplement or waiver authorized pursuant to this Article Eight if the amendment, supplement or waiver does not affect the rights, duties, liabilities or immunities of the Trustee. If it does affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, sign such amendment, supplement or waiver. In signing or refusing to sign such amendment, supplement or waiver the Trustee shall be entitled to receive and, subject to Section 7.01, shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating, in addition to the matters required by Section 12.04, that such amendment, supplement or waiver is authorized or permitted by this Indenture and is a legal, valid and binding obligation of the Company and the Subsidiary Guarantors, enforceable against the Company and the Subsidiary Guarantors in accordance with its terms (subject to customary exceptions).

ARTICLE NINE

DISCHARGE OF INDENTURE; DEFEASANCE

SECTION 9.01. Discharge of Indenture.

Upon the request of the Company, this Indenture will cease to be of further effect and the Trustee, at the expense of the Company, will execute proper instruments acknowledging satisfaction and discharge of the Notes and this Indenture and the Guarantees when:

(1) either:

(a) all the Notes theretofore authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes that have been subject to defeasance pursuant to Section 9.02 or 9.03) have been delivered to the Trustee for cancellation; or

(b) all Notes not theretofore delivered to the Trustee for cancellation:

(i) have become due and payable by the mailing of a notice of redemption or otherwise;

(ii) will become due and payable within one year; or

(iii) are to be called for redemption within 12 months under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the reasonable expense, of the Company;

and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in trust for the purpose in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest on the Notes to the date of such deposit (in case of Notes that have become due and payable) or to the Stated Maturity or redemption date, as the case may be;

(2) the Company has paid or caused to be paid all sums payable under this Indenture by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided in this Indenture relating to the satisfaction and discharge of the Notes and this Indenture and the Guarantees of the Notes have been complied with.

After such delivery, the Trustee upon request of the Company shall acknowledge in writing the discharge of the Company's and the Subsidiary Guarantors' obligations under the Notes, the Guarantees and this Indenture except for those surviving obligations specified below.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company in Sections 7.07, 9.05 and 9.06 shall survive such satisfaction and discharge.

SECTION 9.02. Legal Defeasance.

The Company may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors discharged with respect to the outstanding Notes on a date the conditions set forth in Section 9.04 are satisfied (hereinafter, "Legal Defeasance"). For this purpose, such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes and to have satisfied all its other obligations under such Notes and this Indenture insofar as such Notes are concerned (and the Trustee, at the expense of the Company, shall, subject to Section 9.06, execute instruments in form and substance reasonably satisfactory to the Trustee and Company acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of outstanding Notes to

receive solely from the trust funds described in Section 9.04 and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (B) the Company's obligations with respect to such Notes under Sections 2.03, 2.04, 2.05, 2.06, 2,07, 2.08, 2.11, 4.02, 4.03 and 4.05, (C) the rights, powers, trusts, duties, and immunities of the Trustee hereunder (including claims of, or payments to, the Trustee under or pursuant to Section 7.07) and the Company's obligations in connection therewith and (D) this Article Nine.

Concurrently with any Legal Defeasance, the Company may, at its further option, cause to be terminated, as of the date on which such Legal Defeasance occurs, all of the obligations under any or all of the Guarantees, if any, then existing and obtain the release of the Guarantee(s) of any or all Subsidiary Guarantors. In order to exercise such option regarding a Guarantee, the Company shall provide the Trustee with written notice of its desire to terminate such Guarantee prior to the delivery of the Opinion of Counsel referred to in clause (f) of Section 9.04.

Subject to compliance with this Article Nine, the Company may exercise its option under this Section 9.02 with respect to the Notes notwithstanding the prior exercise of its option under Section 9.03 below with respect to the Notes.

SECTION 9.03. Covenant Defeasance.

The Company may, at its option and at any time, elect to have its obligations and the obligations of the Subsidiary Guarantors under Sections 10.01, 4.09, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.17, 4.18, 4.19, 4.20 (except for obligations mandated by the TIA) and clauses (1) and (3) of Section 5.01 released with respect to the outstanding Notes on a date the conditions set forth in Section 9.04 are satisfied (hereinafter, "Covenant Defeasance"). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may fail to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise of the option in this Section 9.03, subject to the satisfaction of the conditions set forth in Section 9.04, Sections 6.01(5), (6) and (8) shall not constitute Events of Default.

Concurrently with any Covenant Defeasance, the Company may, at its further option, cause to be terminated, as of the date on which such Covenant Defeasance occurs, all of the obligations under any or all of the Guarantees, if any, then existing and obtain the release of the Guarantee(s) of any or all Subsidiary Guarantors. In order to exercise such option

regarding a Guarantee, the Company shall provide the Trustee with written notice of its desire to terminate such Guarantee prior to the delivery of the Opinion of Counsel referred to in clause (g) of Section 9.04.

Notwithstanding any discharge or release of any obligations under this Indenture pursuant to Section 9.02 or this Section 9.03, the Company's obligations in Sections 2.04, 2.06, 2.07, 2.08, 7.07, 9.05, 9.06 and 9.08 shall survive until such time as the Notes have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 9.05 and 9.08 shall survive.

SECTION 9.04. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of Section 9.02 or Section 9.03 to the outstanding Notes:

(a) (1) the Company has irrevocably deposited or caused to be deposited in trust for the benefit of the Noteholders with the Trustee or a Paying Agent or a trustee satisfactory to the Trustee and the Company, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee and any such Paying Agent, (x) money in an amount sufficient, or (y) U.S. Government Obligations that shall be payable as to principal and interest in such amounts and at such times as are sufficient, in the opinion of a nationally recognized firm of independent public accountants or Independent Financial Advisors expressed in a written certification thereof delivered to the Trustee (without consideration of any reinvestment of such interest), or (z) a combination thereof in an amount, sufficient to pay the principal of (and premium, if any, on) and interest, if any, to Stated Maturity (or redemption) on such Notes, on the scheduled due dates therefor, (2) the trustee of the irrevocable trust has been irrevocably instructed to pay such money or the proceeds of such U.S. Government Obligations to the Trustee and (3) the Trustee or Paying Agent shall have been irrevocably instructed in writing to apply the deposited money and the proceeds from U.S. Government Obligations in accordance with the terms of this Indenture and the terms of the Notes to the payment of principal of and interest on the Notes;

(b) the deposit described in clause (a) above will not result in a breach or violation of, or constitute a Default under, any other agreement or instrument to which either the Company is a party or by which it is bound;

(c) no Default has occurred and is continuing (1) as of the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) or (2) insofar

as clause (7) or (8) of Section 6.01 is concerned at any time during the period ending on the 91st day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that the condition in this clause (c) is a condition subsequent and will not be deemed satisfied until the expiration of such period);

(d) the Company has paid or caused to be paid all sums currently due and payable by the Company under this Indenture and under the Notes;

(e) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in this Indenture relating to the termination by the Company of its obligations have been complied with;

(f) in the case of an election under Section 9.02 or 9.03, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such legal defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such opinion, in the case of defeasance under Section 9.02, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture. The defeasance would in each case be effective when 91 days have passed since the date of the deposit in trust.

SECTION 9.05. Deposited Money and U.S. Government Obligations To Be Held in Trust; Other Miscellaneous Provisions.

All money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee pursuant to Section 9.04 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent, to the Holders of such Notes, of all sums due and to become due thereon in respect of principal, premium, if any, and accrued interest, but such money need not be segregated from other funds except to the extent required by law.

The Company and the Subsidiary Guarantors shall (on a joint and several basis) pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 9.04 or the principal,

premium, if any, and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article Nine to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon a request of the Company any money or U.S. Government Obligations held by it as provided in Section 9.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 9.06. Reinstatement.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 9.01, 9.02 or 9.03 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and each Subsidiary Guarantor's obligations under this Indenture, the Notes and the Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to this Article Nine until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 9.01; *provided* that if the Company or the Subsidiary Guarantors have made any payment of principal of, premium, if any, or accrued interest on any Notes because of the reinstatement of their obligations, the Company or the Subsidiary Guarantors, as the case may be, shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

SECTION 9.07. Moneys Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture, all moneys then held by any Paying Agent under the provisions of this Indenture shall, upon written demand of the Company, be paid to the Trustee, or if sufficient moneys have been deposited pursuant to Section 9.04, to the Company upon a request of the Company (or, if such moneys had been deposited by the Subsidiary Guarantors, to such Subsidiary Guarantors), and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

SECTION 9.08. Moneys Held by Trustee.

Any moneys deposited with the Trustee or any Paying Agent or then held by the Company or the Subsidiary Guarantors in trust for the payment of the principal of, or premium, if any, or interest on any Note that are not applied but remain unclaimed by the Holder of such Note for two years after the date upon which the principal of, or premium, if any, or

interest on such Note shall have respectively become due and payable shall be repaid to the Company (or, if appropriate, the Subsidiary Guarantors) upon a request of the Company, or if such moneys are then held by the Company or the Subsidiary Guarantors in trust, such moneys shall be released from such trust; and the Holder of such Note entitled to receive such payment shall thereafter, as an unsecured general creditor, look only to the Company and the Subsidiary Guarantors for the payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; *provided* that the Trustee or any such Paying Agent, before being required to make any such repayment, may, at the expense of the Company and the Subsidiary Guarantors, either mail to each Noteholder affected, at the address shown in the register of the Notes maintained by the Registrar pursuant to Section 2.04, or cause to be published once a week for two successive weeks, in a newspaper published in the English language, customarily published each Business Day and of general circulation in the City of New York, New York, a notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed balance of such moneys then remaining will be repaid to the Company. After payment to the Company or the Subsidiary Guarantors or the release of any money held in trust by the Company or any Subsidiary Guarantors, as the case may be, Noteholders entitled to the money must look only to the Company and the Subsidiary Guarantors for payment as general creditors unless applicable abandoned property law designates another Person.

ARTICLE TEN

GUARANTEE OF SECURITIES

SECTION 10.01. Guarantee.

From and after the Assumption Date and subject to the provisions of this Article Ten, the Subsidiary Guarantors, by execution of the Assumption Date Supplemental Indenture, jointly and severally, guarantee to each Holder (i) the due and punctual payment of the principal of and interest on each Note, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal of and interest on the Notes, to the extent lawful, and the due and punctual payment of all other obligations and due and punctual performance of all obligations of the Company to the Holders or the Trustee all in accordance with the terms of such Note, this Indenture and the Registration Rights Agreement, and (ii) in the case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, at stated maturity, by acceleration or otherwise. From and after the Assumption Date, each Subsidiary Guarantor, by execution of the Assumption Date Supplemental Inden-

ture, agrees that its obligations hereunder shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of any such Note or this Indenture, any failure to enforce the provisions of any such Note, this Indenture or the Registration Rights Agreement, any waiver, modification or indulgence granted to the Company with respect thereto by the Holder of such Note, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or such Subsidiary Guarantor.

Each Subsidiary Guarantor hereby waives diligence, presentment, demand for payment, filing of claims with a court in the event of merger or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any such Note or the Indebtedness evidenced thereby and all demands whatsoever, and covenants that this Guarantee will not be discharged as to any such Note except by payment in full of the principal thereof and interest thereon. Each Subsidiary Guarantor hereby agrees that, as between such Subsidiary Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such obligations as provided in Article Six, such obligations (whether or not due and payable) shall forthwith become due and payable by each Subsidiary Guarantor for the purpose of this Guarantee.

The Subsidiary Guarantors shall have the right to seek contribution from any non-paying Subsidiary Guarantor so long as the exercise of such right does not impair the rights of any Holder under the Subsidiary Guarantees.

SECTION 10.02. Execution and Delivery of Subsidiary Guarantee.

To further evidence the Subsidiary Guarantee set forth in Section 10.01, each Subsidiary Guarantor hereby agrees, on the Assumption Date, that a notation of such Subsidiary Guarantee, substantially in the form included in Exhibit F hereto, shall be endorsed on each Note authenticated and delivered by the Trustee on the Assumption Date and such Subsidiary Guarantee shall be executed by either manual or facsimile signature of an Officer or an Officer of a general partner, as the case may be, of each Subsidiary Guarantor. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

Each of the Subsidiary Guarantors hereby agrees that its Guarantee set forth in Section 10.01 shall be in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

If an Officer of a Subsidiary Guarantor whose signature is on this Indenture or a Guarantee no longer holds that office at the time the Trustee authenticates the Note on which

such Guarantee is endorsed or at any time thereafter, such Subsidiary Guarantor's Guarantee of such Note shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Indenture on behalf of the Subsidiary Guarantor.

SECTION 10.03. Release of Subsidiary Guarantors.

The Guarantee of any Subsidiary Guarantor will be automatically and unconditionally released and discharged upon any of the following:

(A) any transfer, to any Person not an Affiliate of the Company, of all of the Capital Stock held by the Company or any of its Restricted Subsidiaries in such Subsidiary Guarantor (which transfer is made in accordance with this Indenture and, if the Company or any of its Restricted Subsidiaries intends to comply with Section 4.12 by making an investment or expenditure in Replacement Assets, the Company or such Restricted Subsidiary delivers to the Trustee a written agreement that it will make such investment or expenditure within the time frame set forth in Section 4.12); or

(B) the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the provisions of this Indenture;

and in each such case, the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to such transactions have been complied with and that such release is authorized and permitted hereunder.

The Trustee shall execute any documents reasonably requested by either the Company or a Subsidiary Guarantor in order to evidence the release of such Subsidiary Guarantor from its obligations under its Guarantee endorsed on the Notes and under this Article Ten.

SECTION 10.04. Waiver of Subrogation.

Each Subsidiary Guarantor hereby irrevocably waives any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of such Subsidiary Guarantor's obligations under its Guarantee and this Indenture, including, without limitation, any right of subrogation, reimbursement, exoneration, indemnification, and any right to participate in any claim or remedy of any Holder of Notes against the Company, whether or not such claim, remedy or right

arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or Note on account of such claim or other rights. If any amount shall be paid to any Subsidiary Guarantor in violation of the preceding sentence and the Notes shall not have been paid in full, such amount shall have been deemed to have been paid to such Subsidiary Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the Notes, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied upon the Notes, whether matured or unmatured, in accordance with the terms of this Indenture. Each Subsidiary Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Indenture and that the waiver set forth in this Section 10.06 is knowingly made in contemplation of such benefits.

SECTION 10.05. Notice to Trustee.

The Company or any Subsidiary Guarantor shall give prompt written notice to the Trustee of any fact known to the Company or any such Subsidiary Guarantor which would prohibit the making of any payment to or by the Trustee at its Corporate Trust Office in respect of the Guarantees. Notwithstanding the provisions of this Article Ten or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Guarantees, unless and until the Trustee shall have received written notice thereof from the Company no later than one Business Day prior to such payment; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of this Section 10.05, and subject to the provisions of Sections 7.01 and 7.02, shall be entitled in all respects to assume that no such facts exist; *provided, however*, that if the Trustee shall not have received the notice referred to in this Section 10.07 at least one Business Day prior to the date upon which by the terms hereof any such payment may become payable for any purpose under this Indenture (including, without limitation, the payment of the principal of, premium, if any, or interest on any Note), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it less than one Business Day prior to such date.

ARTICLE ELEVEN

SECURITY DOCUMENTS

SECTION 11.01. Security Documents.

The due and punctual payment of the principal of and interest on the Notes when and as the same shall be due and payable, whether on an Interest Payment Date, at maturity, by acceleration, repurchase, redemption, special redemption or otherwise, and interest on the overdue principal of and interest on the Notes and performance of all other obligations of the Company and the Subsidiary Guarantors to the Holders or the Trustee under this Indenture and the Notes, according to the terms hereunder or thereunder, shall be secured as provided in the Security Documents. Each Holder, by its acceptance of the Notes, consents and agrees to the terms of the Security Documents (including, without limitation, the provisions providing for foreclosure and release of Collateral) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Collateral Agent and the Collateral Trustee, with respect to the Sharing Securities Documents, to enter into such security documents and to perform their obligations and exercise their rights thereunder in accordance therewith. The Company shall deliver to the Trustee copies of all documents delivered to the Collateral Agent and the Collateral Trustee pursuant to the Security Documents, and shall do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Security Documents, to assure and confirm to the Trustee, the Collateral Agent and the Collateral Trustee the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured thereby, according to the intent and purposes herein and therein expressed. The Company shall take, upon request of the Trustee, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the obligations of the Company hereunder, a valid and enforceable perfected lien on and security interest in all the Collateral, in favor of the Collateral Agent for the benefit of the Holders and other Persons for whose benefit the Collateral Agent or Trustee, as applicable, acts pursuant to the Security Documents.

SECTION 11.02. Recording and Opinions.

(a) The Company and, if applicable, the Subsidiary Guarantors shall take or cause to be taken all action required to perfect, maintain, preserve and protect the Lien on and security interest in the Collateral granted by the Security Documents (subject only to Permitted Liens), including without limitation, the filing of financing statements, continuation statements, Sharing Mortgages and any instruments of further assurance, in such manner and in such places as may be required by law fully to preserve and protect the rights of the Holders

and the Trustee under this Indenture and the Security Documents to all property comprising the Collateral. The Company and the Subsidiary Guarantors shall from time to time promptly pay all financing, continuation statement and mortgage recording, registration and/or filing fees, charges and taxes relating to this Indenture and the Security Documents, any amendments thereto and any other instruments of further assurance required hereunder or pursuant to the Security Documents. The Trustee shall have no obligation to, nor shall it be responsible for any failure to, so register, file or record.

(b) The Company shall at all times comply with the provisions of TIA § 314(b), whether or not the TIA is then applicable to the obligations of the Company and, if applicable, the Subsidiary Guarantors under this Indenture.

SECTION 11.03. Release of Collateral.

(a) Collateral may (and, as applicable, shall) be released or substituted only in accordance with the terms of the Security Documents.

(b) The release of any Collateral from the terms of this Indenture and the Security Documents shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms of the Security Documents.

SECTION 11.04. Certificates of the Company.

To the extent applicable, the Company shall comply (or cause compliance) with TIA § 313(b), relating to reports, and TIA § 314(d), relating to the release of property or securities from the lien and security interest of the Security Documents and relating to the substitution therefor of any property or securities to be subjected to the lien and security interest of the Security Documents. Any certificate or opinion required by TIA § 314(d) may be made by an Officer of the Company except in cases where TIA § 314(d) requires that such certificate or opinion be made by an independent Person, which Person shall be an independent engineer, appraiser or other expert selected or approved by the Collateral Agent in the exercise of reasonable care.

SECTION 11.05. Certificates of the Trustee.

In the event that the Company wish to release Collateral in accordance with the Security Documents and have delivered the certificates and documents required by the Security Documents and Sections 11.03 and 11.04 hereof, the Trustee shall determine whether it has received all documentation required by TIA § 314(d) in connection with such release and, based on the Opinion of Counsel delivered pursuant to Section 12.04(2), shall deliver a certificate to the Collateral Agent setting forth such determination. The Trustee, however, shall

have no duty to confirm the legality or validity of such documents, its sole duty being to certify that it has received such documentation which on their face conform to Section 314(d) of the TIA.

SECTION 11.06. Authorization of Actions To Be Taken by the Trustee Under the Security Documents.

Subject to the provisions of Sections 7.01 and 7.02 hereof, the Trustee may, in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Trustee or the Collateral Agent, as the case may be, to take all actions it deems necessary or appropriate in order to (a) enforce any of the terms of the Security Documents and (b) collect and receive any and all amounts payable in respect of the obligations of the Company hereunder. The Trustee shall have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders or to the Trustee).

SECTION 11.07. Authorization of Receipt of Funds by the Trustee Under the Security Documents.

The Trustee is authorized to receive any funds for the benefit of the Holders distributed under the Security Documents, and to make further distributions of such funds to the Holders according to the provisions of this Indenture and the Security Documents.

SECTION 11.08. Termination of Security Interest.

Upon the payment in full of all obligations of the Company under this Indenture and the Notes, or upon Legal Defeasance, the Trustee shall, at the request of the Company, deliver a certificate to the Collateral Agent stating that such obligations have been paid in full.

SECTION 11.09. Security Documents.

By their acceptance of the Notes, upon the Solutia Assumption, the Holders hereby authorize and instruct the Trustee to enter into, for its benefit and the benefit of the Noteholders, the Junior Security Agreement and the Junior Intercreditor Agreement, substantially in the forms attached as Exhibits G and H, respectively.

ARTICLE TWELVE

MISCELLANEOUS

SECTION 12.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control. If any provision of this Indenture modifies any TIA provision that may be so modified, such TIA provision shall be deemed to apply to this Indenture as so modified. If any provision of this Indenture excludes any TIA provision that may be so excluded, such TIA provision shall be excluded from this Indenture.

The provisions of TIA §§ 310 through 317 that impose duties on any Person (including the provisions automatically deemed included unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

SECTION 12.02. Notices.

Except for notice or communications to Holders, any notice or communication shall be given in writing and delivered in person, sent by facsimile, delivered by commercial courier service or mailed by first-class mail, postage prepaid, addressed as follows:

If to the Company:

SOI Funding Corp.
6525 Morrison Boulevard, Suite 318
Charlotte, NC 28211
Attn: Douglas K. Johnson
Telephone: (704) 365-0569
Facsimile: (704) 365-1362

With a copy to:

Tannenbaum Helpern Syracuse & Hirschtritt LLP
900 Third Avenue
New York, NY 10022
Attn: Stephen Rosenberg
Telephone: (212) 508-6700
Facsimile: (212) 371-1084

With a copy to:

Solutia Inc.
575 Maryville Centre Drive
P.O. Box 66760
St. Louis, MO 63166-6760 (if by courier, zip code 63141)
Attn: General Counsel
Telephone: (314) 674-1000
Facsimile: (314) 674-2721

With a copy to:

Winston & Strawn
35 West Wacker Drive
Chicago, IL 60601
Attn: R. Cabell Morris
Telephone: (312) 558-5600
Facsimile: (312) 558-5700

If to the Trustee, Registrar or Paying Agent:

Mailing Address:
HSBC Bank USA
Issuer Services
452 Fifth Avenue
New York, NY 10018
Attention: Harriet Drandoff

Fax Number: (212) 525-1300

Delivery Address:
HSBC Bank USA
Issuer Services
10 East 40th Street, 14th Floor
New York, NY 10016
Attention: Harriet Drandoff

Fax Number: (212) 525-1300

Such notices or communications shall be effective when received and shall be sufficiently given if so given within the time prescribed in this Indenture.

The Company, the Subsidiary Guarantors or the Trustee by written notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Noteholder shall be mailed to him by first-class mail, postage prepaid, at his address shown on the register kept by the Registrar.

Failure to mail a notice or communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders. If a notice or communication to a Noteholder is mailed in the manner provided above, it shall be deemed duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice as required by this Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 12.03. Communications by Holders with Other Holders.

Noteholders may communicate pursuant to TIA § 312(b) with other Noteholders with respect to their rights under this Indenture or the Notes. The Company, the Subsidiary Guarantors, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

SECTION 12.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company or any Subsidiary Guarantor to the Trustee to take any action under this Indenture, the Company or such Subsidiary Guarantor shall furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 12.05 below) stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 12.05 below) stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.05. Statements Required in Certificate and Opinion.

Each certificate and opinion with respect to compliance by or on behalf of the Company or any Subsidiary Guarantor with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, it or he has made such examination or investigation as is necessary to enable it or him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such covenant or condition has been complied with.

SECTION 12.06. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or meetings of Noteholders. The Registrar and Paying Agent may make reasonable rules for their functions.

SECTION 12.07. Business Days; Legal Holidays.

A "Business Day" or "business day" is a day that is not a Legal Holiday. A "Legal Holiday" is a Saturday, a Sunday or other day on which (i) commercial banks in the City of New York are authorized or required by law to close or (ii) the New York Stock Exchange is not open for trading. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 12.08. Governing Law.

This Indenture, the Notes and the Guarantees shall be governed by and construed in accordance with the laws of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

SECTION 12.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan, security or debt agreement of the Company or any Subsidiary thereof. No such indenture, loan, security or debt agreement may be used to interpret this Indenture.

SECTION 12.10. Successors.

All agreements of the Company and the Subsidiary Guarantors in this Indenture and the Notes shall bind their respective successors. All agreements of the Trustee, any additional trustee and any Paying Agents in this Indenture shall bind its successor.

SECTION 12.11. Multiple Counterparts.

The parties may sign multiple counterparts of this Indenture. Each signed counterpart shall be deemed an original, but all of them together represent one and the same agreement.

SECTION 12.12. Table of Contents, Headings, etc.

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 12.13. Separability.

Each provision of this Indenture shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purpose of this Indenture or the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed all as of the date and year first written above.

SOI FUNDING CORP.

By: _____
Name:
Title:

HSBC BANK USA, as Trustee

By: ______________________________
Name:
Title:

EXHIBIT A

CUSIP

SOI FUNDING CORP.
(may be assumed by SOLUTIA INC.)

No. $

11.25% SENIOR SECURED NOTE DUE 2009

SOI FUNDING CORP., a Delaware corporation, as issuer (the "Company"), for value received, promises to pay to CEDE & CO. or registered assigns the principal sum of [ ] on July 15, 2009.

Interest Payment Dates: July 15 and January 15.

Record Dates: June 30 and December 31.

Reference is made to the further provisions of this Note contained herein, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by one of its duly authorized officers.

SOI FUNDING CORP.

By: _____
Name:
Title:

Certificate of Authentication

This is one of the 11.25% Senior Secured Notes Due 2009 referred to in the within-mentioned Indenture.

HSBC BANK USA, as Trustee

By: _____

Dated:

[FORM OF REVERSE OF NOTE]

SOI FUNDING CORP.

11.25% SENIOR SECURED NOTE DUE 2009

1. Interest. SOI FUNDING CORP., a Delaware corporation, as issuer (the "Company"), promises to pay, until the principal hereof is paid or made available for payment, interest on the principal amount set forth on the face hereof at a rate of 11.25% per annum. Interest hereon will accrue from and including the most recent date to which interest has been paid or, if no interest has been paid, from and including July 9, 2002 to but excluding the date on which interest is paid. Interest shall be payable in arrears on each July 15 and January 15, commencing July 15, 2003. Interest will be computed on the basis of a 360-day year of twelve 30-day months and actual days elapsed. The Company shall pay interest on overdue principal and on overdue interest (to the full extent permitted by law) at the rate borne by the Notes.

2. Method of Payment. The Company will pay interest hereon (except defaulted interest) to the Persons who are registered Holders at the close of business on June 30 or December 31 next preceding the interest payment date (whether or not a Business Day). Holders must surrender Notes to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Interest may be paid by check mailed to the Holder entitled thereto at the address indicated on the register maintained by the Registrar for the Notes.

3. Paying Agent and Registrar. Initially, HSBC Bank USA (the "Trustee") will act as a Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice. Neither the Company nor any of its Affiliates may act as Paying Agent or Registrar.

4. Indenture. The Company issued the Notes under an Indenture dated as of July 9, 2002 (the "Indenture") between the Company and the Trustee. This is one of an issue of Notes of the Company issued, or to be issued, under the Indenture. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code §§ 77aaa-77bbbb), as amended from time to time. The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of them. Capitalized and certain other terms used herein and not otherwise defined have the meanings set forth in the Indenture.

5. Optional Redemption. (a) At any time on or prior to July 15, 2005, the Company may at its option on any one or more occasions redeem Notes (including Additional Notes, if any) in an aggregate principal amount not to exceed 35% of the aggregate principal amount of Notes (including Additional Notes, if any) issued under the Indenture at a redemp-

tion price of 111.250% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more Public Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes (including Additional Notes, if any) issued under the Indenture remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries); and

(2) the redemption occurs within 90 days of the date of the closing of such Public Equity Offering.

(b) The Trustee will select Notes called for redemption pursuant to this paragraph 5 on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided* that no Notes of $1,000 or less shall be redeemed in part. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption pursuant to this paragraph 5 become due on the date fixed for redemption. On and after the redemption date, interest stops accruing on Notes or portions of them called for redemption.

6. Special Mandatory Redemption. In the event that the Solutia Assumption does not occur on or prior to the Deadline, the Company will, on a day not more than 20 days following the Deadline (the "Special Mandatory Redemption Date") redeem all of the Notes (the "Special Mandatory Redemption") at a redemption price equal to the sum of (a) $206,702,624.80 (which amount is equal to 103% of the original issue amount of the Units ($200,682,160.00)) plus (b) the accrued and unpaid interest on the Notes from and including the Issue Date to but excluding the Special Mandatory Redemption Date. The "Deadline" is August 9, 2002 or such earlier time that Solutia determines not to refinance its Credit Facility in accordance with the refinancing plan described in the Offering Memorandum.

7. Notice of Redemption. Except in the case of Special Mandatory Redemption, notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. Notice of the Special Mandatory Redemption will be mailed promptly to each Holder of Notes at its registered address, the Trustee and the Securities Intermediary.

8. Offers To Purchase. The Indenture provides that upon the occurrence of a Change of Control or an Asset Sale and subject to further limitations contained therein, the Company shall make an offer to purchase outstanding Notes in accordance with the procedures set forth in the Indenture.

9. Registration Rights. (a) Pursuant to an Exchange and Registration Rights Agreement among Solutia, from and after the Solutia Assumption, the Subsidiary Guarantors and the Initial Purchasers named therein (the "Registration Rights Agreement"), Solutia will be obligated to consummate an exchange offer pursuant to which the Holder of this Note shall have the right to exchange this Note for Notes which have been registered under the Securities Act, in like principal amount and having substantially identical terms as the Notes. (b) If (i) within 60 days after the Assumption Date, neither the Exchange Offer Registration Statement nor the Shelf Registration Statement has been filed with the Commission; (ii) within 120 days after the Assumption Date, the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, has not been declared effective; (iii) within 150 days after the Assumption Date, the Exchange Offer has not been consummated; or (iv) after either the Exchange Offer Registration Statement or the Shelf Registration Statement has been declared effective, such Registration Statement thereafter ceases to be effective or usable (subject, in the case of the Shelf Registration Statement, to the exceptions set forth in the Registration Rights Agreement) in connection with resales of the Initial Placement or Exchange Securities in accordance with and during the periods specified in Sections 2 and 3 of the Registration Rights Agreement (each such event referred to in clauses (i) through (iv), a "Registration Default"), liquidated damages ("Liquidated Damages") will accrue on the Initial Placement and the Exchange Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured. Liquidated Damages will accrue at a rate equal to 0.25% per annum of the aggregate principal amount of the Notes during the 90-day period immediately following the occurrence of any Registration Default and shall increase by 0.25% per annum for each subsequent 90-day period during which such Registration Default continues, but in no event shall such Liquidated Damages exceed 1.00% per annum.

10. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay to it any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes or portion of a Note selected for redemption, or register the transfer of or exchange any Notes for a period of 15 days before a mailing of notice of redemption.

11. Persons Deemed Owners. The registered Holder of this Note may be treated as the owner of this Note for all purposes.

12. Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee will pay the money back to the Company at its written request. After that, Holders entitled to the money must look to the Company for payment as general creditors unless an "abandoned property" law designates another Person.

13. Amendment, Supplement, Waiver, Etc. The Company, the Subsidiary Guarantors, if any, and the Trustee (if a party thereto) may, without the consent of the Holders of any outstanding Notes, amend, waive or supplement the Indenture or the Notes for certain specified purposes, including, among other things, curing ambiguities, defects or inconsistencies, maintaining the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, providing for the assumption by a successor to the Company of its obligations under the Indenture or any Security Documents and making any change that does not materially and adversely affect the rights of any Holder. Other amendments and modifications of the Indenture or the Notes may be made by the Company, the Subsidiary Guarantors, if any, and the Trustee with the consent of the Holders of not less than a majority of the aggregate principal amount of the outstanding Notes, subject to certain exceptions requiring the consent of the Holders of the particular Notes to be affected.

14. Restrictive Covenants. The Indenture imposes certain limitations on the ability of the Company and its Restricted Subsidiaries to, among other things, incur additional Indebtedness, pay dividends on, redeem or repurchase its Capital Stock, make certain investments, sell assets, create restrictions on the payment of dividends or other amounts to the Company from its Restricted Subsidiaries, enter into transactions with Affiliates, expand into unrelated businesses, create liens, enter into sale and leaseback transactions or consolidate, merge or sell all or substantially all of the assets of the Company and its Restricted Subsidiaries and requires the Company to provide reports to Holders of the Notes. Such limitations are subject to a number of important qualifications and exceptions. Pursuant to Section 4.06 of the Indenture, the Company must annually report to the Trustee on compliance with such limitations.

15. Successor Corporation. When a successor corporation assumes all the obligations of its predecessor under the Notes and the Indenture and the transaction complies with the terms of Article Five of the Indenture, the predecessor corporation will, except as provided in Article Five, be released from those obligations.

16. Defaults and Remedies. Events of Default are set forth in the Indenture. Subject to certain limitations in the Indenture, if an Event of Default (other than an Event of Default specified in Section 6.01(7) of the Indenture with respect to the Company or any Subsidiary Guarantor, if any) occurs and is continuing, then, and in each and every such case, either the Trustee, by notice in writing to the Company, or the Holders of not less than 25% of the principal amount of the Notes then outstanding, by notice in writing to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare due and payable, if not already due and payable, the principal of and any accrued and unpaid interest on all of the Notes; and upon any such declaration all such amounts upon such Notes shall become and be immediately due and payable, anything in the Indenture or in the Notes to the contrary notwithstanding. If an Event of Default specified in Section 6.01(7) of the Indenture occurs with respect to the Company or any Subsidiary Guarantor, then the principal of and any accrued and unpaid interest on all of the Notes shall immediately become due and payable without any declaration or other act on the part of the Trustee or any Holder. Holders may not

enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal, premium, if any, or interest on the Notes or a default in the observance or performance of any of the obligations of the Company under Article Five of the Indenture) if it determines that withholding notice is in their best interests.

17. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

18. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, agent, member or stockholder or Affiliate of the Company, as such, shall have any liability for any obligations of the Company under the Notes, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. No past, present or future director, officer, employee, incorporator, agent or stockholder or Affiliate of any of the Subsidiary Guarantors, as such, shall have any liability for any obligations of the Subsidiary Guarantors under the Guarantees, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes and Guarantees by accepting a Note and a Guarantee waives and releases all such liabilities. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees.

19. Discharge. The Company's obligations pursuant to the Indenture will be discharged, except for obligations pursuant to certain sections thereof, subject to the terms of the Indenture, upon the payment of all the Notes or upon the irrevocable deposit with the Trustee of United States dollars or U.S. Government Obligations sufficient to pay when due principal of and interest on the Notes to maturity or redemption, as the case may be.

20. Guarantees. From and after the Solutia Assumption Date, the Note will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and obligations thereunder of the Subsidiary Guarantors, the Trustee and the Holders.

21. Authentication. This Note shall not be valid until the Trustee signs the certificate of authentication on the other side of this Note.

22. Governing Law. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JU-

RISDICTION WOULD BE REQUIRED THEREBY. The Trustee, the Company and the Subsidiary Guarantors agree to submit to the jurisdiction of the courts of the State of New York in any action or proceeding arising out of or relating to the Indenture or the Notes.

23. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TENANT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

SOI Funding Corp.
6525 Morrison Boulevard, Suite 318
Charlotte, NC 28211
Attn: Douglas K. Johnson
Telephone: (704) 365-0569
Facsimile: (704) 365-1362

With a copy to:

Tannenbaum Helpern Syracuse & Hirschtritt LLP
900 Third Avenue
New York, NY 10022
Attn: Stephen Rosenberg
Telephone: (212) 508-6700
Facsimile: (212) 371-1084

With a copy to:

Solutia Inc.
575 Maryville Centre Drive
P.O. Box 66760
St. Louis, MO 63166-6760 (if by courier, zip code 63141)
Attn: General Counsel
Telephone: (314) 674-1000
Facsimile: (314) 674-2721

With a copy to:

Winston & Strawn
35 West Wacker Drive
Chicago, IL 60601
Attn: R. Cabell Morris
Telephone: (312) 558-5600
Facsimile: (312) 558-5700

ASSIGNMENT

I or we assign and transfer this Note to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Note on the books of the Company. The Agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee: _____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have all or any part of this Note purchased by the Company pursuant to Section 4.08 or Section 4.12 of the Indenture, check the appropriate box:

☐ Section 4.08 ☐ Section 4.12

If you want to have only part of the Note purchased by the Company pursuant to Section 4.08 or Section 4.12 of the Indenture, state the amount you elect to have purchased:

$_____
(multiple of $1,000)

Date:_____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

_____
Signature Guaranteed

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

[FORM OF LEGEND FOR 144A SECURITIES AND OTHER SECURITIES THAT ARE RESTRICTED SECURITIES]

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") or (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OF REGULATION S UNDER THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY), OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE GOVERNING

THIS NOTE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

[FORM OF ASSIGNMENT FOR 144A SECURITIES AND OTHER SECURITIES THAT ARE
RESTRICTED SECURITIES]

I or we assign and transfer this Note to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Note on the books of the Company. The Agent may substitute another to act for him.

[Check One]

[ ] (a) this Note is being transferred in compliance with the exemption from registration under the Securities Act provided by Rule 144A thereunder.

or

[ ] (b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Sections 2.16 and 2.17 of the Indenture shall have been satisfied.

Date:_____ Your Signature:_____
(Sign exactly as your name
appears on the face of this Note)

Signature Guarantee:_____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY TRANSFEROR IF (a) ABOVE IS CHECKED

The transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act, and, accordingly, the transferor hereby further certifies that the beneficial interest or certificated Note is being transferred to a Person that the transferor reasonably believed and believes is purchasing the beneficial interest or certificated Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such transfer is in compliance with any applicable securities laws of any state of the United States. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or certificated Note will be subject to the restrictions on transfer enumerated on the Rule 144A Notes and/or the certificated Note and in the Indenture and the Securities Act.

Dated:_____

_____

NOTICE: To be executed by an executive officer

EXHIBIT C

[FORM OF LEGEND FOR REGULATION S NOTE]

This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Act"), and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless registered under the Act or except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Act.

[FORM OF ASSIGNMENT FOR REGULATION S NOTE]

I or we assign and transfer this Note to:

_____

(Insert assignee's social security or tax I.D. number)

_____

(Print or type name, address and zip code of assignee)

and irrevocably appoint:

Agent to transfer this Note on the books of the Company. The Agent may substitute another to act for him.

[Check One]

[ ] (a) this Note is being transferred in compliance with the exemption from registration under the Securities Act provided by Regulation S thereunder.

or

[ ] (b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Sections 2.16 and 2.17 of the Indenture shall have been satisfied.

Date:_____ Your Signature: _____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:_____

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY TRANSFEROR IF (a) ABOVE IS CHECKED

The transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the transferor hereby further certifies that (i) the transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the transferee was outside the United States or such transferor and any Person acting on its behalf reasonably believed and believes that the transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the restricted period under Regulation S, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an initial purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or certificated Note will be subject to the restrictions on transfer enumerated on the Regulation S Notes and/or the certificated Note and in the Indenture and the Securities Act.

Dated:_____

_____

NOTICE: To be executed by an executive officer

EXHIBIT D

[FORM OF LEGEND FOR GLOBAL NOTE]

Any Global Note authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Note) in substantially the following form:

This Note is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Note is not exchangeable for Notes registered in the name of a person other than the Depository or its nominee except in the limited circumstances described in the Indenture, and no transfer of this Note (other than a transfer of this Note as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in the limited circumstances described in the Indenture.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company (a New York corporation) ("DTC") to the issuer or its agent for registration of transfer, exchange, or payment, and any Certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of DTC), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT E

Form of Certificate To Be Delivered
in Connection with Transfers
Pursuant to Regulation S

HSBC Bank USA
425 Fifth Avenue
12th Floor
New York, NY 10018

Attention: Issuer Services

Re: SOI Funding Corp., a Delaware corporation, as issuer (the "Company"), 11.25% Senior Secured Notes Due 2009 (the "Notes")

Dear Sirs:

In connection with our proposed sale of $_____ aggregate principal amount of the Notes, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Notes was not made to a U.S. person or to a person in the United States;

(2) either (a) at the time the buy offer was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States, or (b) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(3) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 904(a) of Regulation S;

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(5) we have advised the transferee of the transfer restrictions applicable to the Notes.

You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferee]

By: _____

EXHIBIT F

GUARANTEES

From and after the Assumption Date, each of the undersigned (the "Subsidiary Guarantors") hereby jointly and severally unconditionally guarantees, to the extent set forth in the Indenture dated as of July 9, 2002 by and among SOI Funding Corp., a Delaware corporation, as issuer (the "Company"), whose obligations thereunder have been assumed (or are being assumed) by Solutia Inc., a Delaware corporation, the Subsidiary Guarantors, as guarantors, and HSBC Bank USA, as Trustee (as amended, restated or supplemented from time to time, the "Indenture"), and subject to the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the Notes, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Company to the Noteholders or the Trustee, all in accordance with the terms set forth in Article Ten of the Indenture, and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Subsidiary Guarantors to the Noteholders and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Ten of the Indenture, and reference is hereby made to the Indenture for the precise terms and limitations of this Guarantee. Each Holder of the Note to which this Guarantee is endorsed, by accepting such Note, agrees to and shall be bound by such provisions.

[Signatures on Following Pages]

IN WITNESS WHEREOF, each of the Subsidiary Guarantors has caused this Guarantee to be signed by a duly authorized officer.

SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE, dated as of July 25, 2002 among Solutia Inc., a Delaware corporation ("Solutia"), SOI Funding Corp., a Delaware corporation ("SOI Funding"), the Subsidiary Guarantors signatory hereto (the "Subsidiary Guarantors") and HSBC Bank USA, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H:

WHEREAS, SOI Funding and the Trustee heretofore executed and delivered an Indenture, dated as of July 9, 2002 (as heretofore amended and supplemented, the "Indenture"), providing for the issuance of the 11.25% Senior Secured Notes due 2009 of SOI Funding (the "Securities") (capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Indenture);

WHEREAS, Article V of the Indenture provides that upon the execution and delivery by Solutia to the Trustee of this Supplemental Indenture, Solutia shall be the successor Company under the Indenture and the Securities and shall succeed to, and be substituted for, and may exercise every right and power of, SOI Funding under the Indenture and the Securities and SOI Funding shall be discharged from all obligations and covenants under the Indenture and the Securities;

WHEREAS, Section 8.01(b) of the Indenture provides that SOI Funding and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities by entering into a supplemental indenture in order to provide for the assumption by Solutia of its obligations under the Indenture or any Security Document; and

WHEREAS, this Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of Solutia, SOI Funding and the Subsidiary Guarantors.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Solutia, SOI Funding and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

ARTICLE I

Assumption by Successor Company

Section 1.1. Assumption of the Securities. Solutia hereby expressly assumes and agrees promptly to pay, perform and discharge when due each and every debt (including accrued original issue discount on such debts, if any), obligation, covenant and agreement incurred, made or to be paid, performed or discharged by SOI Funding under the Indenture and the Securities.

Solutia hereby agrees to be bound by all the terms, provisions and conditions of the Indenture and the Securities and that it shall be the successor Company and shall succeed to, and be substituted for, and may exercise every right and power of, SOI Funding, as the predecessor Company, under the Indenture and the Securities, all to the extent provided in and in accordance with the terms and conditions of, the Indenture.

Section 1.2. Discharge of SOI Funding. SOI Funding is hereby expressly discharged from all debts, obligations, covenants and agreements under or relating to the Indenture and the Securities.

Section 1.3. Trustee's Acceptance. The Trustee hereby accepts this Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II

Miscellaneous

Section 2.1. Effect of Supplemental Indenture. Upon the execution and delivery of this Supplemental Indenture by Solutia, SOI Funding, the Subsidiary Guarantors and the Trustee, the Indenture shall be supplemented in accordance herewith, and this Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby. Notwithstanding any other provision of this Supplemental Indenture, this Supplemental Indenture shall not be deemed to be effective unless and until the Securities Intermediary (as defined in the Escrow Agreement) releases the Solutia Amount (as defined in the Escrow Agreement) out of the Escrow Funds to Solutia (or its designee) pursuant to Section 3(a) of the Escrow Agreement. In the event that the Securities Intermediary does not so release the Solutia Amount, this Supplemental Indenture shall automatically terminate and never take force or effect.

Section 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3. Indenture and Supplemental Indenture Construed Together. This Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Supplemental Indenture shall henceforth be read and construed together.

Section 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this Supplemental Indenture is in all respects confirmed and preserved.

Section 2.5. Conflict with Trust Indenture Act. If any provision of this Supplemental Indenture limits, qualifies or conflicts with any provision of the TIA that is required

or deemed under the TIA to be part of and govern any provision of this Supplemental Indenture, such provision of the TIA shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this Supplemental Indenture, as the case may be.

Section 2.6. Severability. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.7. Benefits of Supplemental Indenture. Nothing in this Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this Supplemental Indenture or the Securities.

Section 2.8. Successors. All agreements of Solutia in this Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Supplemental Indenture shall bind its successors.

Section 2.9. Certain Duties and Responsibilities of the Trustee. In entering into this Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture and the Securities relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 2.10. Governing Law. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 2.11. Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 2.12. Headings. The Article and Section headings herein are inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 2.13. The Trustee. The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made by Solutia and SOI Funding.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

SOLUTIA INC.

By: _____
Name: C. K. Wilson
Title: Vice President and Treasurer

CPFILMS INC.

By: _____
Name: R. A. Ringhofer
Title: Secretary

MONCHEM, INC.

By: _____
Name: C. K. Wilson
Title: President

MONCHEM INTERNATIONAL, INC.

By: _____
Name: C. K. Wilson
Title: President

SOLUTIA SYSTEMS, INC.

By: _____
Name: C. K. Wilson
Title: President

SOI FUNDING CORP.

By: _____

Name: EVELYN ECHEVARRIA
Title: VICE PRESIDENT

HSBC BANK USA,
as Trustee

By: _____

Name:
Title:

SOI FUNDING CORP.

By: _____
Name:
Title:

HSBC BANK USA,
as Trustee

By: Harriet Drandoff
Name: Harriet Drandoff
Title: Vice President

EXECUTION COPY

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE, dated as of October 24, 2002, among Solutia Inc., a Delaware corporation ("Solutia"), the Subsidiary Guarantors signatory hereto (the "Subsidiary Guarantors") and HSBC Bank USA, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H:

WHEREAS, SOI Funding Corp., a Delaware corporation ("SOI Funding"), and the Trustee heretofore executed and delivered an Indenture, dated as of July 9, 2002 (the "Original Indenture"), providing for the issuance of the 11.25% Senior Secured Notes due 2009 of SOI Funding (the "Securities") (capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Indenture);

WHEREAS, upon the execution and delivery by Solutia to the Trustee of the Supplemental Indenture, dated July 25, 2002, among Solutia, SOI Funding, the Subsidiary Guarantors and the Trustee (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), Solutia became the successor Company under the Indenture and the Securities and succeeded to, and was substituted for, and may exercise every right and power of, SOI Funding under the Indenture and the Securities and SOI Funding was discharged from all obligations and covenants under the Indenture and the Securities;

WHEREAS, Solutia desires to amend certain provisions of the Indenture, as set forth in Article I hereof;

WHEREAS, Section 8.01(a)(vii) of the Indenture provides that Solutia and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities by entering into a supplemental indenture in order to amend the Indenture in a manner that does not adversely affect the rights of any Holders; and

WHEREAS, this Second Supplemental Indenture has been duly authorized by all necessary corporate action on the part of each of Solutia and the Subsidiary Guarantors.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Solutia, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

ARTICLE I

Amendment

Section 1.1. Amendment to Section 1.01. Section 1.01 of the Original Indenture is hereby amended by deleting clause (i) of the first paragraph of the definition of "Unrestricted Subsidiary" and by substituting therefor a new clause (i), which reads as follows:

> "(i) each of Solutia Chemical Co., Ltd., Suzhou, Solutia Hellas EPE, Solutia Management Company, Inc., Solutia Kimyasal Pazarlama Ve Ticaret Limited Sirketi, Solutia Therminal Co., Ltd., Suzhou, Solutia UK Capital Ltd., Solutia GOM India Coatings Materials Private Limited, Vianova Resins, Inc., Vianova Resins N.V./S.A., Vianova Resins Canada Inc., Vianova Resins Resinas Quimicas, Lda., Viking Finance III B.V. and Viking Resins Group Holdings B.V.,"

Section 1.2. Trustee's Acceptance. The Trustee hereby accepts this Second Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II

Miscellaneous

Section 2.1. Effect of Second Supplemental Indenture. Upon the execution and delivery of this Second Supplemental Indenture by Solutia, the Subsidiary Guarantors and the Trustee, the Indenture shall be supplemented in accordance herewith, and this Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby. Notwithstanding any other provision of this Second Supplemental Indenture, this Second Supplemental Indenture shall be deemed to be effective as of July 9, 2002.

Section 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3. Indenture and Second Supplemental Indenture Construed Together. This Second Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Second Supplemental Indenture shall henceforth be read and construed together.

Section 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this Second Supplemental Indenture is in all respects confirmed and preserved.

Section 2.5. Conflict with Trust Indenture Act. If any provision of this Second Supplemental Indenture limits, qualifies or conflicts with any provision of the TIA that is required or deemed under the TIA to be part of and govern any provision of this Second Supplemental Indenture, such provision of the TIA shall control. If any provision of this Second

Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this Second Supplemental Indenture, as the case may be.

Section 2.6. Severability. In case any provision in this Second Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.7. Benefits of Supplemental Indenture. Nothing in this Second Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, the Supplemental Indenture, this Second Supplemental Indenture or the Securities.

Section 2.8. Successors. All agreements of Solutia in this Second Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Second Supplemental Indenture shall bind its successors.

Section 2.9. Certain Duties and Responsibilities of the Trustee. In entering into this Second Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture and the Securities relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 2.10. Governing Law. This Second Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 2.11. Multiple Originals. The parties may sign any number of copies of this Second Supplemental Indenture, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 2.12. Headings. The Article and Section headings herein are inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 2.13. The Trustee. The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Second Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made by Solutia.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first written above.

SOLUTIA INC.

By: _____
Name: C. K. Wilson
Title: Vice President and Treasurer

CPFILMS INC.

By: _____
Name: R. A. Ringhofer
Title: Secretary

MONCHEM, INC.

By: _____
Name: C. K. Wilson
Title: President

MONCHEM INTERNATIONAL, INC.

By: _____
Name: C. K. Wilson
Title: President

SOLUTIA SYSTEMS, INC.

By: _____
Name: C. K. Wilson
Title: President

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HSBC BANK USA,
as Trustee

By: Harriet Drandoff
Name: HARRIET DRANDOFF
Title: VICE PRESIDENTIAL

THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE, dated as of October 8, 2003, among Solutia Inc., a Delaware corporation ("Solutia"), the Subsidiary Guarantors signatory hereto and HSBC Bank USA, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H :

WHEREAS, SOI Funding Corp., a Delaware corporation ("SOI Funding"), and the Trustee heretofore executed and delivered an Indenture, dated as of July 9, 2002 (the "Original Indenture"), providing for the issuance of the 11.25% Senior Secured Notes due 2009 of SOI Funding (the "Securities") (capitalized terms used herein but not otherwise defined have the meanings ascribed thereto in the Indenture);

WHEREAS, upon the execution and delivery by Solutia to the Trustee of the Supplemental Indenture, dated July 25, 2002, among Solutia, SOI Funding, the Subsidiary Guarantors signatory thereto and the Trustee (the "First Supplemental Indenture"), Solutia became the successor Company under the Indenture and the Securities and succeeded to, and was substituted for, and may exercise every right and power of, SOI Funding under the Indenture and the Securities and SOI Funding was discharged from all obligations and covenants under the Indenture and the Securities;

WHEREAS, Solutia, the Subsidiary Guarantors signatory thereto and the Trustee entered into a certain Supplemental Indenture, dated October 24, 2002 (the "Second Supplemental Indenture" and, together with the Original Indenture and the First Supplemental Indenture, the "Indenture"), whereby the parties amended certain provisions of the Indenture;

WHEREAS, Section 8.01(a)(iv) of the Indenture provides that Solutia and the Trustee may amend the Indenture and the Securities without notice to or consent of any Holders of the Securities by entering into a supplemental indenture in order to add Subsidiary Guarantees with respect to the Notes; and

WHEREAS, this Third Supplemental Indenture and the Subsidiary Guarantee (as hereinafter defined) have been duly authorized by all necessary corporate action on the part of each of Solutia and the Subsidiary Guarantors, as the case may be.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Solutia, the Subsidiary Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

ARTICLE I

Addition of Subsidiary Guarantors

Section 1.1. Addition of Subsidiary Guarantors. By execution of the Subsdiary Guarantee attached hereto (the "Subsidiary Guarantee"), Solutia Business Enterprises Inc., a New York corporation, and Solutia Investments LLC, a Delaware limited liability company shall each be deemed "Subsidiary Guarantors" pursuant to and in accordance with the terms and conditions of the Indenture.

Section 1.2. Trustee's Acceptance. The Trustee hereby accepts this Third Supplemental Indenture and agrees to perform the same under the terms and conditions set forth in the Indenture.

ARTICLE II

Miscellaneous

Section 2.1. Effect of Third Supplemental Indenture. Upon the execution and delivery of this Third Supplemental Indenture by Solutia, the Subsidiary Guarantors and the Trustee, the Indenture shall be supplemented in accordance herewith, and this Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound thereby.

Section 2.2. Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3. Indenture and Third Supplemental Indenture Construed Together. This Third Supplemental Indenture is an indenture supplemental to and in implementation of the Indenture, and the Indenture and this Third Supplemental Indenture shall henceforth be read and construed together.

Section 2.4. Confirmation and Preservation of Indenture. The Indenture as supplemented by this Third Supplemental Indenture is in all respects confirmed and preserved.

Section 2.5. Conflict with Trust Indenture Act. If any provision of this Third Supplemental Indenture limits, qualifies or conflicts with any provision of the TIA that is required or deemed under the TIA to be part of and govern any provision of this Third Supplemental Indenture, such provision of the TIA shall control. If any provision of this Third Supplemental Indenture modifies or excludes any provision of the TIA that may be so modified or excluded, the provision of the TIA shall be deemed to apply to the Indenture as so modified or to be excluded by this Third Supplemental Indenture, as the case may be.

Section 2.6. Severability. In case any provision in this Third Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 2.7. Benefits of Supplemental Indenture. Nothing in this Third Supplemental Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder and the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under the Indenture, this Third Supplemental Indenture or the Securities.

Section 2.8. Successors. All agreements of Solutia in this Third Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Third Supplemental Indenture shall bind its successors.

Section 2.9. Certain Duties and Responsibilities of the Trustee. In entering into this Third Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture and the Securities relating to the conduct or affecting the liability or affording protection to the Trustee, whether or not elsewhere herein so provided.

Section 2.10. Governing Law. This Third Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

Section 2.11. Multiple Originals. The parties may sign any number of copies of this Third Supplemental Indenture, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 2.12. Headings. The Article and Section headings herein are inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 2.13. The Trustee. The Trustee shall not be responsible in any manner for or in respect of the validity or sufficiency of this Third Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made by Solutia.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first written above.

SOLUTIA INC.

By: _____
Name:
Title: C. Kevin Wilson
Vice President and Treasurer
Solutia Inc.

CPFILMS INC.

By: _____
Name: C. Kevin Wilson
Title: Vice President

MONCHEM, INC.

By: _____
Name:
Title: C. Kevin Wilson
President
Monchem, Inc.

MONCHEM INTERNATIONAL, INC.

By: _____
Name:
Title: C. Kevin Wilson
President
Monchem International, Inc.

SOLUTIA SYSTEMS, INC.

By: _____
Name:
Title: C. Kevin Wilson
President
Solutia Systems, Inc.

SOLUTIA BUSINESS ENTERPRISES, INC.

By: Kevin Wilson
Name: C. Kevin Wilson
Title: President

SOLUTIA INVESTMENTS, LLC

By: Kevin Wilson
Name: C. Kevin Wilson
Title: President

HSBC BANK USA,
as Trustee

By: _____
Name:
Title:

SOLUTIA BUSINESS ENTERPRISES, INC.

By: _____
Name:
Title:

SOLUTIA INVESTMENTS, LLC

By: _____
Name:
Title:

HSBC BANK USA,
as Trustee

By: Harriet Drandoff
Name: HARRIET DRANDOFF
Title: VICE PRESIDENT