SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 COMMISSION FILE NUMBER 1-16091

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

OHIO	34-1730488
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)
Suite 36-5000, 200 Public Square, Cleveland, Ohio	44114-2403
(Address of principal executive offices)	(Zip-Code)

Registrant's telephone number, including area code (216) 589-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No[ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock, consisting solely of common stock, held by non-affiliates of the registrant as of March 25, 2002 was approximately $1,114.1 million. On this date, 91,166,922 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the designated parts of this Form 10-K: (1) Registrant's definitive proxy statement to be filed with the Commission, on or about April 4, 2002, pursuant to Regulation 14A and incorporated by reference into Part III of this Form 10-K; and (2) Registrant's Annual Report distributed to shareholders for the fiscal year ended December 31, 2001, incorporated by reference into Parts I and II of this Form 10-K. With the exception of the information specifically incorporated by reference, neither the Registrant's proxy statement nor the 2001 Annual Report to shareholders is deemed to be filed as part of this Form 10-K.

Except as otherwise stated, the information contained in this report is given as of December 31, 2001, the end of the Registrant's last fiscal year.

PART I

ITEM 1. DESCRIPTION OF THE BUSINESS

PolyOne Corporation (PolyOne or Company) is a leading global polymer services company with operations in thermoplastic compounds, specialty resins, specialty polymer formulations, engineered films, color and additive systems, elastomer compounds and additives and thermoplastic resin distribution. PolyOne was formed on August 31, 2000 as a result of the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). PolyOne is a leader in delivering value to customers through its strengths in polymer technology, manufacturing and supply chain processes, information technology, environmental and safety performance, overall quality and operational excellence. The formation of PolyOne is discussed in more detail in Notes A and C to the Consolidated Financial Statements.

OPERATING SEGMENTS:
PolyOne operates in four business segments: Performance Plastics, Elastomers and Performance Additives (E&A), Distribution and Resin and Intermediates (R&I). Financial information regarding the Registrant's business segments is incorporated by reference to Note R to the Consolidated Financial Statements in the Registrant's Annual Report distributed to shareholders for the fiscal year ended December 31, 2001.

PERFORMANCE PLASTICS. PolyOne is a leading merchant producer of compounded plastics to the specifications of manufacturers of plastic products throughout North America, Europe and Asia. PolyOne engages in the custom compounding of plastic materials to the specifications of manufacturers of molded and extruded plastic products through its compounding business. PolyOne's compounds are used in end products such as appliance components, automotive trim, business equipment housing, computer disk drive components, bottles, pipe and pipe fitting, windows, wire and cable. Through its custom formulated colorants and additives business, PolyOne manufactures custom formulated colorants in the form of color concentrates, liquid dispersions, dry colorants and additives for customers in the plastic industry throughout North America, Europe, South America and Asia. PolyOne is also a leading North American producer

of specialty vinyl dispersion resins. In addition, its business processes specialty dispersion resins with different additives, such as plastisizers and fillers, to produce liquid or solid plastisol formulations. PolyOne also produces formulations using urethanes and latex polymers. Through its engineered films business, PolyOne processes flexible compounds into rolls of various-gauge films. These products are incorporated into automotive instrument panels, airbags, furniture fabrics, loose-leaf binder covers, medical bloodbags and pool liners.

ELASTOMERS AND PERFORMANCE ADDITIVES. PolyOne engages in the custom compounding of rubber materials to the specifications of manufacturers of rubber products throughout North America through its rubber compounding and additives businesses. This includes products used in the manufacture of automobile hoses and belts, footwear, escalator railings and industrial conveyors. PolyOne also produces rubber colorants and additives for the rubber industry worldwide. PolyOne believes it is the largest independent custom rubber compounder in North America.

DISTRIBUTION. PolyOne distributes more than 3,500 grades of engineering and commodity resins and plastic compounds from approximately 12 major suppliers including its own polyvinyl chloride, or PVC, compounds through its distribution business. These products are sold to custom molders and extruders who convert them into plastic products. PolyOne's customers produce products that are sold to a number of different industries and end markets. PolyOne believes it is one of the leading distributors of plastic resins and compounds in North America.

RESIN AND INTERMEDIATES. PolyOne's Resin and Intermediates segment manufactures products such as PVC resins, vinyl chloride monomer, or VCM, and caustic soda. These products are sold to customers in the aluminum, paper and pulp and construction industries. This segment also produces intermediates, such as chlorine, for internal consumption by PolyOne's affiliates in the production of PVC resins. This segment consists primarily of investments in equity affiliates, principally Oxy Vinyls, LP (OxyVinyls) and SunBelt Chlor-Alkali Partnership (SunBelt).

COMPETITION:
The production of compounded plastics and the manufacture of custom formulated color and additives systems for the plastics industry is highly competitive, with product quality, service and price to customers being principal factors affecting competition. PolyOne believes it is a leading independent compounder of plastics in North America and Europe and one of the leading producers of custom formulated color and additive systems in the United States and Europe.

The custom compounding of rubber materials and the manufacture of rubber colorants and additives are highly competitive with product quality, service and price to customers being principal factors affecting competition. PolyOne believes it is a leading independent custom compounder of rubber in North America.

The distribution of polymer resin is highly competitive, with product quality, service and price to customers being principal factors affecting competition. PolyOne believes it is one of the leading distributors of plastic resins in North America.

RAW MATERIALS:
In PolyOne's Performance Plastics business, the primary raw materials are PVC resin, VCM, other resins, plasticizers, inorganic and organic pigments, and chemicals, all of which are in adequate supply. PolyOne is a party to long-term supply contracts with OxyVinyls, under which the majority of PolyOne's PVC resin and all of its VCM requirements will be supplied. The supply contracts have initial terms of 15 years (expiring in 2013) and have provisions for renewal after the initial contract term. PolyOne believes the supply contracts should assure availability of PVC resin and VCM, technical development and support and competitively priced PVC resin and VCM. PolyOne further believes that the pricing under these supply contracts provides PVC resin at a competitive cost to PolyOne.

In PolyOne's Elastomers and Performance Additives business, the primary raw materials are natural and synthetic rubbers, resins and chemicals, all of which are available in adequate supply.

PATENTS AND TRADEMARKS:
PolyOne owns numerous patents and trademarks, which are important in that they protect inventions and product names against infringement by others and thereby enhance PolyOne's position in the marketplace. The patents vary in duration of up to 20 years, and the trademarks have an indefinite life that is based upon continued use.

RESEARCH AND DEVELOPMENT:
PolyOne has developed substantial research and development capability. PolyOne's efforts are devoted to (1) developing new products to satisfy defined market needs, (2) providing quality technical services to assure the continued success of its products for its customers' applications, (3) providing technology for improvements to its products, processes and applications, and (4) providing support to its manufacturing plants for cost reduction, productivity and quality improvement programs. PolyOne operates a research and development center that supports its compounding and specialty resin operations. The laboratory is equipped with state-of-the-art analytical, synthesis, polymer characterization and testing equipment and pilot plants and polymer compounding operations that simulate specific production processes for rapid translation of new technology into new products.

PolyOne spent $18.8 million in 2001, $21.4 million in 2000 and $18.5 million in 1999 on product research and product development. In 2002, PolyOne expects spending to show a small increase over 2001.

METHODS OF DISTRIBUTION:
PolyOne's Performance Plastics, Elastomers and Performance Additives and Distribution business segments primarily sell products through their direct sales personnel. The Performance Plastics business segment supplements its direct sales personnel with distributors and/or commissioned sales agents for various products and geographic areas. PolyOne's products are primarily transported to customers using truck carriers, with some customer product pick-ups at its operating facilities in all three of these business segments. In addition, PolyOne's Performance Plastics business segment ships products to some customers using railroad cars.

EMPLOYEES:
As of December 31, 2001, PolyOne had approximately 8,000 employees.

ENVIRONMENTAL, HEALTH AND SAFETY:
PolyOne is subject to various environmental laws and regulations concerning production; use and sale of chemicals; emissions to the air; discharges to waterways; the release of materials into the environment; the generation, handling, storage, transportation, treatment and disposal of waste materials; or otherwise relating to the protection of the environment. PolyOne endeavors to ensure the safe and lawful operation of its facilities in manufacturing and distribution of products and believes it is in compliance in all material respects with applicable laws and regulations.

PolyOne maintains a disciplined environmental and occupational safety and health compliance program and conducts periodic internal and external regulatory audits at its plants in order to identify and categorize potential environmental exposures, including compliance issues, and measures to address them. This is an effort that has required and may continue to require process or operational modifications and the installation of pollution control devices and cleanups. PolyOne incurred environmental expense of $3.9 million in 2001, $2.2 million in 2000 and $1.7 million in 1999.

PolyOne believes that compliance with current governmental regulations at all levels will not have a material adverse effect on its financial condition. However, the risk of additional costs and liabilities is inherent in certain plant operations and certain products produced at the plants, as is the case with other companies involved in the plastics PVC industry. PolyOne cannot assure that it will not incur additional costs and liabilities in the future. Other developments, such as increasingly strict environmental, safety and health laws; regulations and related enforcement policies; discovery of unknown conditions; and claims for damages to property, persons or natural resources resulting from plant emissions or products, could also result in additional costs and liabilities to PolyOne.

A number of foreign countries and domestic local communities have enacted, or have under consideration, laws and regulations relating to the use and disposal of plastic materials. Widespread adoption of these laws and regulations, or public perception, may have an adverse impact on plastic materials. Although many of PolyOne's major markets are in durable, longer-life applications that could reduce the impact of any such environmental regulation, PolyOne cannot assure that more stringent regulation of use and disposal of plastics would not have an adverse effect on its business.

PolyOne conducts a comprehensive occupational safety and health program and believes it is in material compliance with applicable requirements.

PolyOne has been notified by federal and state environmental agencies and by private parties that it may be a potentially responsible party in connection with several environmental sites. While government agencies assert that potentially responsible parties are jointly and severally liable at these sites, in PolyOne's experience, interim and final allocation of liability costs are generally made based on the relative contribution of waste. However, where such allocations of costs based on relative contribution of waste have been made, PolyOne cannot assure that the relevant third parties will pay their share of the liability and related clean-up costs. In addition, PolyOne conducts investigations and remediation at several of its active and inactive facilities, and has assumed responsibility for environmental liabilities based on pre-1993 operations at sites formerly owned or operated by PolyOne or its predecessors. PolyOne believes that its potential continuing liability with respect to such sites will not have a material adverse effect on its consolidated financial position, results of operations or cash flows. In addition, PolyOne initiates

corrective and preventive environmental projects of its own at its operations. Based on current information and estimates prepared by PolyOne's environmental engineers and consultants, PolyOne, at December 31, 2001, had accruals totaling $56.2 million to cover probable future environmental expenditures relating to previously contaminated sites. The accrual represents PolyOne's best estimate within its range of estimated costs associated with probable remediation, based upon information and technology currently available and PolyOne's view of the most likely remedy. Depending upon the results of future testing, the ultimate remediation alternatives undertaken, changes in regulations, new information and other factors, it is possible that PolyOne could incur costs in excess of the accrual at December 31, 2001. PolyOne's estimate of the liability may be revised as new regulations, technologies or additional information is obtained.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:
In the above "Description of the Business" section, statements that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including, for example, statements concerning trends and other forward-looking information affecting or relating to PolyOne and its industry. Actual results could differ materially from those expressed in or implied by these statements based on a variety of factors, which are incorporated by reference to page 37 of PolyOne's 2001 Annual Report to Shareholders.

ITEM 2. PROPERTIES

As of December 31, 2001, PolyOne, which is headquartered in Cleveland, Ohio, operated facilities in the United States and foreign countries. Substantially all of PolyOne's facilities are owned. The charts below list the principal facilities of PolyOne's business segments.

PERFORMANCE PLASTICS FACILITIES:

Vinyl Compounding	Specialty Dispersion Resin	Plastisol Formulators	Engineered Films
Avon Lake, Ohio	Henry, Illinois	Bolton, England	Burlington, New Jersey
Burlington, New Jersey	Pedricktown, New Jersey	Kennesaw, Georgia	Lebanon, Pennsylvania
Conroe, Texas		Los Angeles, California	Winchester, Virginia
Farmington, New Jersey		Melbourne, Australia	Yerington, Nevada
Long Beach, California		North Baltimore, Ohio	Upper Newton Falls, Massachusetts
Louisville, Kentucky		St. Louis, Missouri	
Niagara Falls, Ontario, Canada		Sullivan, Missouri	
Orangeville, Ontario, Canada		Sussex, Wisconsin	
Pasadena, Texas		Widnes, England	
Plaquemine, Louisiana		Hyde, England	
St. Remi de Naperville, Quebec, Canada		Dartford, England	
Terre Haute, Indiana		Newton, Aycliffe, England	
Valleyfield, Quebec, Canada			
Cartagena, Colombia (joint venture)			
Melbourne, Australia (joint venture)			
Singapore (joint venture)			

Custom Formulated Colorants and Additives	Custom Compounding
Broadview Heights, Ohio	Macedonia, Ohio
Glendale, Arizona	Kingstree, South Carolina
Vonore, Tennessee	Dyersburg, Tennessee
Suwanee, Georgia	Bethlehem, Pennsylvania
Somerset, New Jersey	Seabrook, Texas
Florence, Kentucky	Houston, Texas
Gastonia, North Carolina	Corona, California
Elk Grove Village, Illinois	Gaggenau, Germany
St. Peters, Missouri	Barbastro, Spain
Fort Worth, Texas	Jurong, Singapore
Norwalk, Ohio	Suzhou, China
Clinton, Tennessee (joint venture)	Melle, Germany
Rancho Dominguez, California (joint venture)	Forli, Italy (joint venture)
Gainesville, Georgia (joint venture)	Civitanova, Italy (joint venture)
Toluca, Mexico	Lecco, Italy (joint venture)
Assesse, Belgium	Istanbul, Turkey (joint venture)
Tossiat, France	Dortmund, Germany
Bendorf, Germany	
Angered, Sweden	
Manchester, England	
Pudong (Shanghai), China	
Glostrup, Denmark	
Bangkok, Thailand	
Gyor, Hungary	

RESIN AND INTERMEDIATES FACILITIES:
OxyVinyls joint venture - various locations in North America
SunBelt joint venture - McIntosh, Alabama
Welvic Australia Pty Ltd. joint venture - various locations in Australia (February 2002)

ELASTOMERS AND PERFORMANCE ADDITIVES FACILITIES:
Burton, Ohio
Tillsonburg, Ontario, Canada
Jonesborough, Tennessee
DeForest, Wisconsin
Queretaro, Mexico
Chicago, Illinois
Kennedale, Texas
Kingstree, South Carolina
Dyersburg, Tennessee
Massillon, Ohio
Wynne, Arkansas
Santa Fe Springs, California

DISTRIBUTION FACILITIES:
Lemont, Illinois
Ayer, Massachusetts
Massillon, Ohio
Rancho Cucamonga, California
Statesville, North Carolina
Denver, Colorado
Chesterfield Township, Michigan
Eagan, Minnesota
St. Louis, Missouri
Vancouver, Washington
Grand Prairie, Texas
Mississauga, Ontario, Canada
Mexico - various locations

ITEM 3. LEGAL PROCEEDINGS

In addition to the matters regarding the environment described above under the heading "Environmental, Health and Safety", PolyOne is involved in various pending or threatened claims, lawsuits and administrative proceedings, all arising from the ordinary course of business concerning commercial, product liability, employment and environmental matters, which seek remedies or damages. In addition, PolyOne has been named in several lawsuits involving multiple claimants and defendants relating to alleged asbestos exposure in the past by, among others, workers and their families at plants owned by PolyOne or its predecessors or on board ships owned or operated by PolyOne or its predecessors. PolyOne believes that any liability that may be finally determined should not have a material adverse effect on its financial condition taken as a whole.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

EXECUTIVE OFFICERS OF THE COMPANY.

(INCLUDED PURSUANT TO INSTRUCTION 3 TO PARAGRAPH (B) OF ITEM 401 OF REGULATION S-K)

The table below lists information as of March 31, 2002, as to each executive officer of PolyOne, including his or her position with PolyOne as of that date and other positions held by him or her for at least the past five years. The executive officers are elected by the Board of Directors to serve one-year terms.

Roger W. Avakian
Age: 50

Vice President and Chief Technology Officer, September 1, 2000 to date. Vice President - M.A. Hanna Company, Rubber Compounding division, December 1999 to August 31, 2000. Various technical and technical management positions in the U.S. and Europe with GE Plastics (plastics resins), a business unit of General Electric Company, April 1980 to November 1999.

Bernard Baert
- -------------
Age: 52

Vice President, International Operations, January 31, 2001 to date and General Manager, Color - Europe, September 1, 2000 to January 31, 2001. General Manager, M.A. Hanna Color Europe, November 1998 to August 31, 2000. General Manager, Wilson Color Europe, a division of M.A. Hanna Company, July 1997 to November 1998. General Manager Wilson Color North Europe operations March 1996 to July 1997.

Denis L. Belzile
- ----------------
Age: 45

Vice President, Specialty Resins and Formulators, September 1, 2000 to date. Vice President and General Manager - Specialty Resins and Formulators, The Geon Company, October 1999 to August 31, 2000. General Manager - Plastisol, The Geon Company, January 1998 to October 1999. Director - Plastisol Business, The Geon Company, May 1997 to January 1998. Senior Business Manager - Plastisol Resins, The Geon Company, January 1994 to May 1997.

Dennis A. Cocco
- ---------------
Age: 53

Vice President and Chief Investor and Communications Officer, September 1, 2000 to date. Vice President - Corporate and Investor Affairs, The Geon Company, January 1998 to August 31, 2000. Director of Marketing, The Geon Company, April 1993 to December 1997.

Diane J. Davie
- --------------
Age: 46

Vice President and Chief Human Resources Officer, September 1, 2000 to date. Vice President, Human Resources, The Geon Company, May 1998 to August 31, 2000. Principal and Founder, Human Asset Strategies (human resources consulting), December 1995 to May 1998.

Ronald C. Kaminski, Sr.
- -----------------------
Age: 59

Vice President and Chief Environmental, Health, Safety and Quality Officer, November 1, 2000 to date and Director of Technology, September 1, 2000 to November 1, 2000. Director of Research, The Geon Company, April 1998 to August 31, 2000. Director of Compound Technology, The Geon Company, September 1997 to April 1998. Director of Manufacturing Processes, The Geon Company, January 1994 to August 1997.

Daniel L. Kickel
- ----------------
Age: 52

Vice President and Chief Sourcing Officer, September 1, 2000 to date. Director of Sourcing and Supply Chain, The Geon Company, June 1999 to August 31, 2000. Director of Purchasing, The Geon Company, April 1995 to June 1999.

V. Lance Mitchell
- -----------------
Age: 42

Group Vice President, Plastic Compounds and Colors, September 1, 2000 to date. Vice President and General Manager, Compounds, The Geon Company, May 1997 to August 31, 2000. Business Director, Compounds, The Geon Company, November 1993 to May 1997.

David D. Quester
- ----------------
Age: 49

Vice President, Engineered Films, January 31, 2001 to date and General Manager, Engineered Films, September 1, 2000 to January 31, 2001. Director of Manufacturing and Operational Business Development, The Geon Company, May 1999 to August 31, 2000. Director - Manufacturing of PVC Resins, The Geon Company, June 1997 to May 1999. Director - International Business Development, The Geon Company, June 1995 to May 1999.

John E. Quinn
- -------------
Age: 54

Group Vice President, Elastomers and Performance Additives, September 1, 2000 to date. President, M.A. Hanna Rubber Compounding, May 1998 to August 31, 2000. General Manager Noryl(R) Resins Business, GE Plastics (plastics resins), a business unit of General Electric Company, 1991 to 1998.

Michael L. Rademacher
- ---------------------
Age: 51

Group Vice President, Distribution, September 1, 2000 to date. Senior Vice President - Plastics Americas, M.A. Hanna Company, January 2000 to August 31, 2000. Vice President and General Manager, Industrial Chemical and Solvents Division, Ashland Chemical Company (chemical manufacturing and distribution), 1998 to January 2000. Vice President of Distribution Services of Ashland Chemical, 1995 to 1998.

Wendy C. Shiba
- --------------
Age: 51

Chief Legal Officer, November 15, 2001 to date and Vice President and Secretary, December 5, 2001 to date. Vice President, Bowater Incorporated (pulp and paper), 1997 to November 9, 2001, and Secretary and Assistant General Counsel, 1993 to November 9, 2001.

Kenneth M. Smith
- ----------------
Age: 47

Vice President and Chief Information Officer, September 1, 2000 to date. Vice President, Information Systems, The Geon Company, August 1999 to August 31, 2000 and Chief Information Officer, August 1997 to August 31, 1999. Director of Information Systems, The Geon Company, 1993 to 1997.

Thomas A. Waltermire
Age: 52

Chairman of the Board, President and Chief Executive Officer, September 1, 2000 to date. Chairman, The Geon Company, August 1999 to August 31, 2000, and Chief Executive Officer, May 1999 to August 31, 2000. President, The Geon Company, February 1998 to May 1999 and Executive Vice President and Chief Operating Officer, May 1997 to February 1998. Vice President and Chief Financial Officer, The Geon Company, 1993 to May 1997.

W. David Wilson
Age: 48

Vice President and Chief Financial Officer, September 1, 2000 to date. Vice President and Chief Financial Officer, The Geon Company, May 1997 to August 31, 2000. Director of Business Management - Resins, The Geon Company, 1995 to May 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

(a) PolyOne's common stock, $.01 par value per share, is listed on the New York Stock Exchange. The information required under this item is incorporated by reference to the table on page 34 of PolyOne's 2001 Annual Report to Shareholders under the caption "Quarterly Data (Unaudited)."

(b) As of March 25, 2002, there were approximately 3,582 holders of record of PolyOne's common stock.

(c) PolyOne has paid consecutive quarterly dividends of $.0625 per share of common stock during 2000 (since September 1, 2000, its formation date) and 2001. Future declarations of dividends on common stock are discretionary with the Board of Directors, and the declaration of any dividends will depend upon, among other things, earnings, capital requirements and the Company's financial condition. In addition, future dividends on common stock could be limited to $6 million per quarter if under the current revolving credit agreement the ratio of borrowed debt to EBITDA, as defined, exceeds 3.99.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is incorporated by reference to page 35 of PolyOne's 2001 Annual Report to Shareholders under the caption "Selected Financial Data."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is incorporated by reference to the caption "Management's Analysis" on pages 6 through 10, 12, 15 and 16 of PolyOne's 2001 Annual Report to Shareholders. This report contains statements concerning trends and other forward-looking information affecting or relating to PolyOne and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those expressed in or implied by these statements based on a variety of factors, which are incorporated by reference to page 37 of PolyOne's 2001 Annual Report to Shareholders under the caption "Cautionary Note on Forward-Looking Statements."

ITEM 7A. QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK.

The information required by this item is incorporated by reference to the captions "Concentration of Credit Risk" on page 18, "Derivative Financial Instruments" on page 19, "Financial Instruments" on pages 32 and 33 and "Market Risk Disclosures" on page 16 of PolyOne's 2001 Annual Report to Shareholders. This information contains statements concerning trends and other forward-looking information affecting or relating to PolyOne and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those expressed in or implied by these statements based on a variety of factors, which are incorporated by reference to page 37 of PolyOne's 2001 Annual Report to Shareholders under the caption "Cautionary Note on Forward-Looking Statements."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is incorporated by reference to page 11, 13, 14 and 17 through 33 of PolyOne's 2001 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information regarding PolyOne's directors is incorporated by reference to the information contained in PolyOne's Proxy Statement to be filed on or about April 4, 2002 with respect to the 2002 Annual Meeting of Shareholders (2002 Proxy Statement). Information concerning executive officers is contained in Part I of this Report under the heading "Executive Officers of the Company".

Information regarding Section 16(a) beneficial ownership reporting compliance is incorporated by reference to the material under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in PolyOne's 2002 Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information regarding executive compensation is incorporated by reference to the information contained in PolyOne's 2002 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information contained in PolyOne's 2002 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions is incorporated by reference to the information contained in PolyOne's 2002 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) and (2) and (d) - The response to these portions of Item 14 are submitted as a separate section of this Report beginning on page F-1 of this Report.

(a)(3) and (c) - An index of Exhibits filed as part of this Report is located beginning on page I-1 of this report.

(b) Reports on Form 8-K filed in the Fourth Quarter of 2001. None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 1, 2002.

POLYONE CORPORATION

/s/ W. David Wilson

W. David Wilson
Vice President and Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

/s/ Gregory P. Smith

Gregory P. Smith
Corporate Controller and Assistant Treasurer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, as of April 1, 2002.

SIGNATURE	TITLE
/s/Thomas A. Waltermire Thomas A. Waltermire	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/W. David Wilson W. David Wilson	Vice President and Chief Financial Officer (Authorized Officer and Principal Financial Officer)
/s/Gregory P. Smith Gregory P. Smith	Corporate Controller and Assistant Treasurer (Principal Accounting Officer)
/s/James K. Baker James K. Baker	Director

/s/J. Douglas Campbell Director
- ---------------------------
J. Douglas Campbell

/s/Carol A. Cartwright Director
- ---------------------------
Carol A. Cartwright

/s/ Gale Duff-Bloom Director
- ---------------------------
Gale Duff-Bloom

/s/Wayne R. Embry Director
- ---------------------------
Wayne R. Embry

/s/ Robert A. Garda Director
- ---------------------------
Robert A. Garda

/s/Gordon D. Harnett Director
- ---------------------------
Gordon D. Harnett

/s/David H. Hoag Director
- ---------------------------
David H. Hoag

/s/D. Larry Moore Director
- ---------------------------
D. Larry Moore

/s/Farah M. Walters Director
- ---------------------------
Farah M. Walters

ANNUAL REPORT ON FORM 10-K

ITEM 14(a)(1) AND (2) AND (d)

INDEX OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 2001

POLYONE CORPORATION

ITEM 14(a)(1) AND (2) AND 14(d)

POLYONE CORPORATION AND SUBSIDIARIES

INDEX OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of PolyOne Corporation and subsidiaries, included in the Annual Report of the Registrant to its Stockholders for the year ended December 31, 2001, filed as Exhibit 13.1 to this Form 10-K are incorporated herein by reference in Item 8.

- Consolidated statements of income - Years ended December 31, 2001, 2000 and 1999.
- Consolidated balance sheets - December 31, 2001 and 2000.
- Consolidated statements of cash flows - Years ended December 31, 2001, 2000 and 1999.
- Consolidated statements of shareholders' equity - Years ended December 31, 2001, 2000 and 1999.
- Notes to consolidated financial statements - December 31, 2001.
- Quarterly data (unaudited) - Years ended December 31, 2001 and 2000.
- Report of Independent Auditors

The following financial statements of subsidiaries not consolidated and 50% or less owned persons filed as Exhibit 13.2 to this Form 10-K are incorporated by reference included in Item 14(d):

Consolidated financial statements of Oxy Vinyls, LP from inception through December 31, 2001.

The following consolidated financial statement schedule for the Registrant and its subsidiaries is included in Item 14(d):

Schedule II Page F-3 Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

SCHEDULE II

POLYONE CORPORATION AND SUBSIDIARIES
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(Dollars in millions)

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (C)	Other Deductions	Other Additions	Balance at End of Period
Year ended December 31, 2001						
Reserves for doubtful accounts	$ 9.8	$ 4.7	$ ---	$(5.0) (A)	$ ---	$ 9.5
Accrued liabilities for environmental matters	58.4	3.9	0.1	(6.2) (B)	---	56.2
Year ended December 31, 2000						
Reserves for doubtful accounts	$ 3.8	$ 5.0	$ ---	$(5.6) (A)	$ 6.6 (E)	$ 9.8
Accrued liabilities for environmental matters	44.1	2.2	0.3	(2.3) (B)	14.1 (E)	58.4
Year Ended December 31, 1999						
Reserves for doubtful accounts	$ 4.5	$(1.3)	$ ---	$ (0.8) (A)	$ 1.4 (D)	$ 3.8
Accrued liabilities for environmental matters	45.9	1.7	0.1	(6.4) (B)	2.8 (D)	44.1

Notes:
(A) - Accounts charged off.
(B) - Represents cash payments during the year.
(C) - Translation adjustments.
(D) - Represents the additional reserves related to businesses acquired on the date of acquisition.
(E) - Represents the additional reserves related to consolidation on date of consolidation.

POLYONE CORPORATION
Index to Exhibits

Exhibit	Description	Filed:
3.1	Articles of Incorporation	(k)
3.2	Regulations	(k)
4.2	Indenture dated as of December 1, 1995 between the Company and NBD Bank, Trustee	(f)
4.3	Indenture dated November 9, 1996 between the Company and NBD Bank, as trustee, governing the Company's Medium Term Notes	(d)
4.4	Indenture dated September 15, 1991 between the Company and Ameritrust Company, National Association, Trustee related to the Company's $150,000,000 aggregate amount of 9.375% Senior Notes due 2003	(c)
4.5	Associates Ownership Trust Agreement dated September 12, 1991 between the Company and Wachovia Bank of North Carolina	(b)
10.1 +	Long-Term Incentive Plan, as amended and restated	(a)
10.2 +	Incentive Stock Plan, as amended and restated through August 31, 2000	(k)
10.3 +	1995 Incentive Stock Plan, as amended and restated through August 31, 2000	(k)
10.4 +	1998 Interim Stock Award Incentive Plan, as amended and restated through August 31, 2000	(k)
10.5 +	1999 Incentive Stock Plan, as amended and restated through August 31, 2000	(k)
10.6 +	2000 Stock Incentive Plan	(j)
10.7 +	Benefit Restoration Plan (Section 415)	(f)
10.8 +	Benefit Restoration Plan (Section 401(a)(17))	(f)

Exhibit	Description	Filed:
10.9a +	Senior Executive PolyOne Annual Incentive Plan (amended as of February 28, 2001 by Exhibit A [Definition of Change of Control] to Exhibit 10.9b below)	(k)
10.9b +	Strategic Improvement Incentive Plan Overview and Form of Award	*
10.10 +	Non-Employee Directors Deferred Compensation Plan effective December 9, 1993, as amended	(k)
10.11a +	Form of Management Continuity Agreement	(k)
10.11b +	Schedule of Executives with Management Continuity Agreements	*
10.12a	U.S. $85 million Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement, dated May 28, 1999 among The Geon Company, CIESCO, L.P., Corporate Receivables Corporation and Citicorp North America, Inc. as Agent	*
10.12b	U.S. $85 million Third Amended and Restated Parallel Purchase Commitment date as of May 28, 1999 among The Geon Company, the Banks Named therein and Citicorp North America, N.A., as agent	*
10.12c	Letter Amendment No. 4, dated as of March 14, 2001, among the Company, the Investors, the Banks, and Citicorp North America, Inc. as agent, amending Exhibits 10.12a and 10.12b by, INTER ALIA, increasing the Commitment thereunder to $200 million	*
10.12d	Letter Amendment No. 5, dated as of June 22, 2001, among the Company, the Investors, the Banks, and Citicorp North America, Inc. as agent, amending Exhibits 10.12a and 10.12b by, INTER ALIA, increasing the Commitment thereunder to $250 million	*
10.13	Intentionally omitted.	
10.14	Amended and Restated Instrument Guaranty dated as of December 19, 1996	(f)
10.15	Amended and Restated Plant Services Agreement between the Company and The B.F. Goodrich Company	(f)
10.16	Amended and Restated Assumption of Liabilities and indemnification Agreement dated March 1, 1993 and amended and restated April 27, 1993	(f)
10.17a	Partnership Agreement, by and between 1997 Chloralkali Venture Inc. and Olin Sunbelt, Inc.	(e)
10.17b	Amendment to aforesaid Partnership Agreement (Addition of Section 5.03 of Article 5)	(g)
10.17c	Amendment to aforesaid Partnership Agreement (Addition of Section 1.12)	(g)

Exhibit	Description	Filed:
10.18	Chlorine Sales Agreement, by and between Sunbelt Chlor Alkali Partnership and the Company	(e)
10.19	Intercompany Guarantee Agreement between the Company on the one hand and Olin Corporation and Sunbelt Chlor Alkali Partnership on the other hand	(e)
10.20	Guarantee by the Company of the Series G Sunbelt Chlor Alkali Partnership Guaranteed Secured Senior Notes Due 2017, dated December 22, 1997	(g)
10.21	Master Transaction Agreement dated December 22, 1998 between The Geon Company and Occidental Chemical Company	(h)
10.22	Limited Partnership Agreement of Oxy Vinyls, LP	(i)
10.23	Asset Contributions Agreement - PVC Partnership (Geon)	(i)
10.24	Parent Agreement (Oxy Vinyls, LP)	(i)
10.25	Parent Agreement (PVC Powder Blends, LP) and Business Opportunity Agreement	(i)
10.26a	Amendment, Waiver and Consent No. 4, dated as of March 28, 2002, to the $200 million Five-Year Credit Agreement dated as of October 30, 2000, among the Company, Citicorp USA, Inc. and the other banks signatory thereto	*
10.26b	$200 million Five Year Credit Agreement dated October 30, 2000, among the Company, Citicorp USA and the other banks signatory thereto, as amended and restated as of March 28, 2002	*
13.1	Annual Report to Shareholders for the Year Ended December 31, 2001	*
13.2	Audited Financial Statements of Oxy Vinyls, LP	*
21	Subsidiaries	*
23.1	Consent of Independent Auditors - Ernst & Young LLP	*
23.2	Consent of Independent Auditors - Arthur Andersen LLP	*
99.1	Letter re: Arthur Andersen LLP	*

+ Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants

* Filed herewith

(a) Incorporated by reference to the corresponding Exhibit filed with M.A. Hanna Company's definitive proxy statement dated March 23, 2000, SEC File No. 1-05222.

(b) Incorporated by reference to the corresponding Exhibit filed with M.A. Hanna Company's Form 8-K dated September 12, 1991, SEC File No. 1-05222.

(c) Incorporated by reference to the corresponding Exhibit filed with M.A. Hanna Company's Form S-3 dated September 18, 1991, SEC File No. 1-05222.

(d) Incorporated by reference to the corresponding Exhibit filed with M.A. Hanna Company's Form S-3 Registration Statement No. 333-05763, dated June 12, 1996.

(e) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-Q for the Quarter ended September 30, 1996, SEC File No. 1-11804.

(f) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-K for the Year ended December 31, 1996, SEC File No. 1-11804.

(g) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-K for the Year ended December 31, 1997, SEC File No. 1-11804.

(h) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Special Meeting Proxy Statement dated March 30, 1999, SEC File No. 1-11804.

(i) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 8-K filed on May 13, 1999, SEC File No.1-11804.

(j) Incorporated by reference to the corresponding Exhibit filed with Amendment No. 3 to Form S-4 Registration Statement No. 333-37344, dated July 31, 2000.

(k) Incorporated by reference to the corresponding Exhibit filed with PolyOne Corporation's Form 10-K for the Year ended December 31, 2000, SEC File No. 1-16091.

Exhibit 10.9b

STRATEGIC IMPROVEMENT INCENTIVE PLAN

OVERVIEW

The PolyOne Strategic Improvement Incentive Plan (SIIP) is comprised of two vehicles:

1. STOCK OPTIONS: grant of traditional options that provide the employee with the right to exercise vested options for a term of up to 10 years from the date of grant. The exercise (strike) price will be equal to the fair market value of PolyOne shares on the date of grant. The options will vest based on continued service over three years, one-third on each of the first, second and third anniversaries of the grant date. If the stock appreciates 50% or greater from the exercise price, shares scheduled to vest in year three will vest immediately.

2. PERFORMANCE UNIT AWARDS are comprised of an equal amount of two vehicles:

   a. PERFORMANCE EQUITY STOCK OPTIONS: provides the holder with the right to purchase shares at a price equal to the fair market value at the date of grant (same date as the above stock option). The options will vest on the third anniversary of grant and have a term of 39 months.

   b. PERFORMANCE EQUITY CASH UNITS: provides for a cash payment at the end of a three-year performance period based on actual company performance vs. pre-established goals.

Based on the belief that the ability to directly affect the price of PolyOne shares diminishes as participation expands to levels below the Chief Executive Officer, Performance Unit Awards will increase at lower management levels. The mix of these awards is the following:

	Stock Options	PUA
PLT	70%	30%
Level II	50%	50%
Level III	30%	70%

Participants included in this plan are the only people who will receive stock options each year.

February 28, 2001

Attn: ((Next Record))

POLYONE CORPORATION INCENTIVE AWARD

THIS LETTER CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE COMMON SHARES OF THE COMPANY ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

Dear ((Salutation)):

Subject to the terms and conditions of the PolyOne Corporation 2000 Stock Incentive Plan (the "Plan") and this Letter, the Compensation Committee of the Board of Directors of PolyOne Corporation (the "Company") has granted to you as of February 28, 2001, the following awards:

(a) A Time-Vested Option to purchase an aggregate of ((TV)) common shares of the Company, having a par value of $.01 per share ("Company Common Shares"), at an option price of $8.70 per share (the "Time-Vested Option Price"), the fair market value as of the date of this grant.

(b) A Performance Option to purchase an aggregate of ((Perf)) Company Common Shares at an option price of $8.70 per share, the fair market value as of the date of this grant.

(c) A Performance Cash Award, the conveyance of which is contingent upon the performance of the Company as set forth herein.

The Time-Vested Option and Performance Option shall be incentive stock options up to the $100,000 limit set forth in the Internal Revenue Code, with the value of the stock relating to the Time-Vested Option being first applied against such limit. To the extent that the Time-Vested Option or Performance Option exceeds such limit, such option or portion thereof shall be a non-qualified stock option. The Time-Vested Option, Performance Option and Performance Cash Award granted hereunder are collectively

referred to herein as the "Awards." A copy of the Plan is available for your review through the Corporate Secretary's office.

Section 1. Exercise of Stock Option. (a) Subject to the provisions of the Plan and this Letter, the Time-Vested Option granted hereunder shall be exercisable on or before the expiration date of February 28, 2011, and shall vest according to the following schedule regardless of the performance of the Company:

Date	Shares Exercisable
On February 28, 2002	35%
On February 28, 2003	additional 35%
On February 28, 2004	remaining 30%

Notwithstanding the foregoing that, if at any time on or prior to February 28, 2004, the fair market value of the Company Common Shares as reported on the New York Stock Exchange is at least 50% greater than the Time-Vested Option Price ($13.05) for any 20 trading days during any 30 consecutive trading day period, the 30% of the shares scheduled to vest on February 28, 2004, shall become immediately exercisable.

(b) The Time-Vested Option may be exercised as to all or any of the shares that can be purchased in accordance with Section 1(a) by submitting a letter to the Company signed by you stating the number of Company Common Shares you are electing to purchase at that time and certifying that you are in compliance with the terms and conditions of the Plan and enclosing your payment of the Time-Vested Option Price in full. No fraction of a common share may be purchased upon the exercise of the Time-Vested Option. You may pay the Time-Vested Option Price (i) in cash or by check acceptable to the Company, (ii) by the actual or constructive transfer to the Company of Common Shares owned by you not less than six months having a value at the time of exercise equal to the total Time-Vested Option Price for the shares then being purchased (including, without limitation, constructive transfer by means of the surrender of all or part of the Common Shares issuable upon exercise of the Time-Vested Option (or any other option granted to you by the Company)), or (iii) by a combination of (i) and (ii). You also may exercise the Time-Vested Option and sell the shares acquired upon exercise of the Time-Vested Option, pursuant to a brokerage arrangement consistent with practices approved by the Company, and use the proceeds from such sale as payment of all or a portion of the Time-Vested Option Price. For purposes of this Section 1(b), common shares will be valued at their fair market value at the time the Time-Vested Option is exercised.

Section 2. Performance Option. Subject to the provisions of the Plan and this Letter, the Performance Option granted hereunder shall vest 100% on February 28, 2004, and shall be exercisable on or before the expiration date of May 31, 2004. The Performance Option may be exercised in the same manner as set forth in Section 1(b).

Section 3. Performance Cash Award. (a) Subject to the provisions of the Plan and this Letter, the Performance Cash Award conveyed to you hereunder entitles you to 100% of a cash payment equal to $((Cash)) if for fiscal year 2003 (the "performance period") the Company's Performance Business Operating Income (as defined in Section 3(b) below) is $287 million (which is the equivalent of $2.00 earnings per share). In the event that the Company's Performance Business Operating Income is greater or less than $287 million, you shall be entitled to a cash payment in accordance with the sliding scale below:

Performance Business Operating Income	Percentage of Performance Cash Award
At least $217 million	50%
At least $287 million	100%
At least $357 million	150%
At least $427 million	200%

Awards will be calculated based upon a sliding linear scale. For example, if Performance Business Operating Income is $322 million, you are entitled to 125% of the cash payment relating to the Performance Cash Award ($322 million is 50% of the range between 100% and 150% attainment). The Company shall pay to you the cash payment relating to the Performance Cash Award, if any, by March 31, 2004.

(b) The term "Performance Business Operating Income" shall mean the Company's total Operating Income before unusual items less operating income associated with the three Resins and Intermediates segment equity investments, i.e., OxyVinyls, SunBelt and Australian Vinyls Corporation. If the Company alters its current portfolio of businesses through acquisition or divestiture, the Performance Business Operating Income targets would be subject to change as determined by the Compensation Committee of the Board of Directors.

Section 4. Retirement, Disability or Death. (a) If your employment with the Company or a subsidiary company terminates prior to the expiration of the Time-Vested Option or the Performance Option or prior to the end of the performance period of the Performance Cash Award, as the case may be, by reason of retirement at age 55 or older with at least 10 years of service, permanent and total disability (as defined under the relevant disability plan or program of the Company or a subsidiary company in which you then participate) or death, the Awards shall be exercisable or conveyed as follows:

(i) the Time-Vested Option, to the extent not theretofore fully exercisable, shall become immediately exercisable in full and may be exercised in whole or in part at any time and from time to time within three years of your retirement, disability or death, as the case may be, but in no event

beyond the expiration date of the Time-Vested Option, and thereafter the Time-Vested Option shall terminate;

(ii) the Performance Option shall become exercisable in accordance with Section 2 notwithstanding your retirement, disability or death, except that you shall only be entitled to exercise a prorated portion of such Performance Option based upon the portion of the period from February 28, 2001, through February 27, 2004, during which you were employed by the Company, and such prorated portion shall be exercisable in whole or in part at any time and from time to time until the expiration date of the Performance Option, and thereafter the Performance Option shall terminate; and

(iii) after the conclusion of the performance period, the Company shall pay to you or your executor or administrator, as the case may be, that portion of the cash payment relating to the Performance Cash Award to which you would have been entitled pursuant to Section 3 had you remained employed by the Company until the conclusion of the performance period, prorated based upon the portion of the period from January 1, 2001, through December 31, 2003, during which you were employed by the Company.

(b) If you exercise your Time-Vested Option or Performance Option (i) more than three months after your retirement at age 55 or older with at least 10 years of service or (ii) more than one year after you become disabled, as the case may be, the exercise of the option will not be treated for tax purposes as the exercise of an incentive stock option.

Section 5. Other Termination. If your employment with the Company or a subsidiary company terminates prior to the expiration of the Time-Vested Option or the Performance Option or prior to the end of the performance period of the Performance Cash Award, as the case may be, for any reason other than retirement at age 55 or older with at least 10 years of services, permanent and total disability or death referred to in Section 4, the Awards shall be exercisable or conveyed as follows:

(a) the Time-Vested Option shall be limited to the number of shares which could have been exercised pursuant to Section 1(a) at the time of your termination of employment and shall terminate as to the remaining shares and may be exercised as to such limited number of shares at any time within ninety (90) days of your termination of employment, but in no event beyond the term of the Time-Vested Option, and thereafter the Time-Vested Option shall terminate;

(b) the Performance Option, to the extent not exercisable, shall terminate, and, to the extent exercisable, may be exercised at any time prior to the expiration of the term of the Performance Option, and thereafter the Performance Option shall terminate; and

(c) the Performance Cash Award shall be forfeited.

Section 6. Change of Control. Upon the occurrence of a Change of Control (as defined on Exhibit A attached hereto) during the term of the Time-Vested Option or the Performance Option or the performance period of the Performance Cash Award, as the case may be, the Awards shall become exercisable or be conveyed as follows:

(a) the Time-Vested Option shall become exercisable in accordance with Section 1(a) and may be exercised in whole or in part at any time and from time to time prior to the expiration date of the Time-Vested Option;

(b) the Performance Option shall become exercisable in accordance with Section 2 and may be exercised in whole or in part at any time and from time to time prior to the expiration date of the Performance Option; and

(c) the Company shall pay to you 100% of the Performance Cash Award within 15 days after the Change of Control.

Section 7. Taxes. If, in the opinion of the Company, the Company is required to withhold any federal, state and local and foreign taxes from any payment made under the Plan and this Letter, the Company shall have the right, in the case of the exercise of the Time-Vested Option or Performance Option, to withhold from the shares issued to you a number of shares having a value equal to the amount of such taxes unless you elect to pay such taxes in a manner described in Section 1(b)(i) through (iii) and, in the case of the payment of cash relating to the Performance Cash Award, to withhold from such cash payment the amount of such taxes.

Section 8. Non-Assignability. The Awards are personal to you and are not transferable by you other than by will or the laws of descent and distribution. The Time-Vested Option and the Performance Option are exercisable during your lifetime only by you or by your guardian or legal representative.

Section 9. Adjustments. The Compensation Committee shall make such adjustments in the Awards as the Compensation Committee in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of your rights that otherwise would result from (a) any stock dividend, stock split, combination of shares, issuance of stock purchase rights, recapitalization or other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, reorganization or partial or complete liquidation or (c) any other corporate transaction or event having an effect similar to any of the foregoing. No adjustment provided for in this Section 9 shall require the Company to sell any fractional share.

Section 10. Terms and Conditions of the Plan; Authority of the Board and the Committee. This Letter and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan as approved by the Board of Directors and the shareholders of the Company, which are controlling. The interpretation and construction by the Board of Directors and/or the Compensation Committee of any provision of the Plan or this Letter shall be final and conclusive upon you, your estate,

executor, administrator, beneficiaries, personal representative and guardian and the Company and its successors and assigns. Without limiting the generality of the foregoing, this Letter is subject to the power of the Compensation Committee to cancel, rescind, suspend, withhold or otherwise limit or restrict any outstanding Award at any time if you are not in compliance with all applicable provisions of this Letter or if you engage in any "Detrimental Activity" as defined in Section 16 of the Plan, which section is hereby incorporated herein by reference.

Section 11. Notice. All notices hereunder to the Company shall be delivered personally or mailed to its corporate offices at Suite 36-5000, 200 Public Square, Cleveland, Ohio 44114-2304 Attention: Corporate Secretary, and all notices hereunder to you shall be delivered personally or mailed to you. Such addresses may be changed at any time by advance written notice of such change to the Company and to you, as the case may be.

This Letter, and the terms and conditions of the Plan, shall bind, and inure to the benefit of you, your estate, executor, administrator, beneficiaries, personal representative and guardian and the Company and its successors and assigns.

Very truly yours,

POLYONE CORPORATION

By:

Gregory L. Rutman, Vice President,
Chief Legal Officer and Secretary
On behalf of the Compensation
Committee of the Board of Directors

Accepted:

- ---

(Date)
- ---

EXHIBIT A - DEFINITION OF CHANGE OF CONTROL

A "Change of Control" means:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this paragraph (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of paragraph (c) below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) individuals who, as of August 31, 2000, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 31, 2000 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) The approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the

assets of the Company or the acquisition of assets of another corporation ("Business Combination") or, if consummation of such Business Combination is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Exhibit 10.11(b)

Continuity Agreements
PolyOne Leadership Team

TITLE	NAME	YEARS/COMP*
Chairman of the Board, President and Chief Executive Officer	Thomas A. Waltermire	3
Vice President and Chief Human Resources Officer	Diane J. Davie	3
Group Vice President, Plastic Compounds and Colors	V. Lance Mitchell	3
Group Vice President, Elastomers and Performance Additives	John E. Quinn	3
Group Vice President, Distribution	Michael L. Rademacher	3
Vice President, Chief Legal Officer and Secretary	Wendy C. Shiba	3
Vice President and Chief Information Officer	Kenneth M. Smith	3
Vice President and Chief Financial Officer	W. David Wilson	3
Vice President, International (Plastic Compounds & Colors Group)	Bernard Baert	2
Vice President, Specialty Resins and Formulators	Denis L. Belzile	2
Vice President, Chief Environmental Health, Safety and Quality Officer	Ronald C. Kaminski, Sr.	2
Vice President, Engineered Films	David Quester	2
Vice President and Chief Technology Officer	Roger W. Avakian	1
Vice President and Chief Investor and Communications Officer	Dennis A. Cocco	1
Vice President and Chief Sourcing Officer	Daniel L. Kickel	1
Treasurer	John L. Rastetter	1
Controller	Gregory P. Smith	1

* Years of compensation payable upon change of control.

EXHIBIT 10.12a

FOURTH AMENDED AND RESTATED

TRADE RECEIVABLES PURCHASE AND SALE AGREEMENT

Dated as of May 28, 1999

THE GEON COMPANY, a Delaware corporation (the "Seller"), CORPORATE RECEIVABLES CORPORATION ("CRC"), a California corporation, CIESCO, L.P., a New York limited partnership ("Ciesco", and together with CRC, the "Investors"; each of Ciesco and CRC being individually an "Investor"), and CITICORP NORTH AMERICA, INC., a Delaware corporation ("CNAI"), as agent for the Owners (as defined in Section 1.01 hereof) (the "Agent"), agree as follows:

PRELIMINARY STATEMENTS.

(1) Certain terms which are capitalized and used throughout this Agreement (in addition to those defined above) are defined in Article I of this Agreement.

(2) The Seller, the Investors and the Agent are each party to that certain Trade Receivables Purchase and Sale Agreement dated as of April 1, 1993, as amended and restated on May 10, 1993, as further amended and restated on August 16, 1994 and as further amended and restated on July 31, 1997 (as amended, collectively, the "Original Agreement") whereby the Seller has from time to time sold to the Investors, and the Investors have from time to time purchased from the Seller, "Eligible Assets" (as defined in the Original Agreement), namely undivided fractional ownership interests in all the outstanding "Pool Receivables" as defined therein and all "Related Security" and "Collections" and other proceeds thereof and with respect thereto.

(3) The Seller desires to add to the "Pool Receivables" as defined in the Original Agreement additional accounts receivable arising from sales from time to time of goods or services by certain of its subsidiaries and acquired by the Seller from time to time.

(4) The parties hereto have agreed to amend and restate the Original Agreement, on the terms and conditions hereinafter set forth, to provide for, among other things, the sale of Eligible Asset interests in the additional accounts receivable referred to in Preliminary Statement (3) above as part of the Receivables Pool.

(5) CNAI has been requested and is willing to continue to act as Agent.

NOW THEREFORE, the parties hereby agree that, effective as of the Restatement Effective Date the Original Agreement is hereby amended and restated in its

entirety to read as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim of any Person.

"Affiliate" when used with respect to a Person means any other Person controlling, controlled by or under common control with such Person.

"Affiliated Obligor" means any Obligor which is an Affiliate of another Obligor.

"Agent's Account" means the special account (account number 4060-5071) of the Agent maintained at the office of Citibank at 399 Park Avenue, New York, New York.

"Alternate Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 365/366 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations

for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by the Agent, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citibank in the United States; and

(c) 1/2 of 1% per annum above the Federal Funds Rate.

"Applicable Margin" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date and the Usage on such date as set forth below:

Public Debt Rating S&P/Moody's	Usage	Applicable Margin
Level 1		
A-/A3 or above	< 33%	0.325%
	> 33%	0.425%
Level 2		
BBB+/Baa1	< 33%	0.350%
	> 33%	0.400%
Level 3		
BBB/Baa2	< 33%	0.375%
	> 33%	0.500%
Level 4		
BBB-/Baa3	< 33%	0.475%
	> 33%	0.600%
Level 5		
BB+/Ba1	< 33%	0.675%
	> 33%	0.800%
Level 6		
BB/Ba2	< 33%	1.000%
	> 33%	1.125%

"Assignee" means Citibank, CNAI or each Investor or any of their respective Affiliates or any other Person acceptable to the Agent as the assignee of an Eligible Asset pursuant to Section 9.01.

"Assignee Rate" for any Fixed Period for any Eligible Asset means an interest rate per annum equal to the Eurodollar Rate for such Fixed Period plus the Applicable Margin in effect from time to time, provided, however, that in the case of

(i) any Fixed Period on or prior to the first day of which the Owner shall have notified the Agent that, after reasonable efforts by such Owner (consistent with its internal policy and legal and regulatory restrictions) to designate a lending office that would allow such Owner to fund an Eligible Asset at the Assignee Rate set forth above and which would not, in the judgment of such Owner, be otherwise disadvantageous to such Owner, the introduction of or any change occurring on or after the effective date of this Agreement or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for the Owner to fund such Eligible Asset at the Assignee Rate set forth above (and the Owner shall not have subsequently notified the Agent that such circumstances no longer exist),

(ii) any Fixed Period of 1 to (and including) 29 days,

(iii) any Fixed Period as to which the Agent does not receive notice, by no later than 12:00 noon (New York City time) on the third Business Day preceding the first day of such Fixed Period, that the related Eligible Asset will not be funded by issuance of commercial paper, or

(iv) any Fixed Period for an Eligible Asset the Capital of which allocated to the Owner is less than $500,000,

the "Assignee Rate" for such Fixed Period for such Eligible Asset shall be an interest rate per annum equal to the Alternate Base Rate in effect on the first day of such Fixed Period; provided further, however, that the Agent and the Seller may agree in writing from time to time upon a different "Assignee Rate."

"Assignment" means an assignment, in substantially the form of Exhibit A hereto, by which an Eligible Asset may be assigned pursuant to Section 9.01.

"Average Maturity" means, on any day, that period (expressed in days) equal to the average maturity of the Pool Receivables as shall be calculated by the Collection Agent as set forth in the most recent Seller Report in accordance with the provisions thereof; provided, however, that, if the Agent shall disagree with any such calculation, the Agent may recalculate the Average Maturity for such day.

"Borrowed Debt" shall have the meaning set forth in the Credit Agreement in effect on the date hereof.

"Business Day" means any day on which (i) banks are not authorized or required to close in New York City and (ii) if this definition of "Business Day" is utilized in connection with the Eurodollar Rate, dealings are carried out in the London interbank market.

"Capital" of any Eligible Asset means the original amount paid to the Seller for such Eligible Asset at the time of its acquisition by an Investor pursuant to Sections 2.01 and 2.02, or such amount divided or combined by any dividing or combining of such Eligible Asset pursuant to Section 2.09, in each case reduced from time to time by Collections received and distributed on account of such Capital pursuant to Section 2.06; provided, however, that such Capital of such Eligible Asset shall not be reduced by any distribution of any portion of Collections if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Cash Interest Expense" means, for any period, interest expense on all Debt of the Seller and its Subsidiaries, net of interest income, in accordance with GAAP and including, without limitation, to the extent not otherwise included in accordance with GAAP, (a) interest expense in respect of Debt resulting from "Advances" under the Credit Agreement, (b) the interest component of obligations under leases that have or should have been or should be, in accordance with GAAP, recorded as capital leases, (c) commissions, discounts and other fees and charges payable in connection with letters of credit issued for the account of the Seller or any of its Subsidiaries, (d) the net payment, if any, payable by the Seller or any of its Subsidiaries in connection with Hedge Agreements and (e) fees paid pursuant to Section 2.04(a) of the Credit Agreement, but excluding, in each case, (w) any amounts accrued or payable in connection with this Agreement or the Parallel Purchase Commitment, (x) amortization of original issue discount, (y) the interest portion of any deferred payment obligation and (z) other interest not payable in cash.

"Certificate" means a certificate of assignment by the Seller to the Agent in the form of Exhibit B hereto, evidencing each Eligible Asset.

"Ciesco" shall have the meaning set forth in the recital of parties

"Citibank" means Citibank, N.A., a national banking association.

"Collection Agent" means at any time the Person (including the Agent) then authorized pursuant to Article VI to service, administer and collect Pool Receivables.

"Collection Agent Fee" has the meaning assigned to that term in Section 2.10.

"Collection Agent Fee Reserve" for any Eligible Asset at any time means the unpaid Collection Agent Fee relating to such Eligible Asset accrued to such time.

"Collections" means, with respect to any Pool Receivable, all cash collections and other cash proceeds of such Pool Receivable, including, without limitation, all cash proceeds of Related Security with respect to such Pool Receivable, and any Collection of such Pool Receivable deemed to have been received pursuant to Section 2.07.

"Concentration Limit" for any Obligor means at any time 3 1/3%, or such other percentage ("Special Concentration Limit") for any Obligor designated by the Agent in a writing delivered to the Seller; provided, that (i) in the case of an Obligor with any Affiliated Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliated Obligor are one Obligor (ii) the Agent may cancel any Special Concentration Limit upon three Business Days' notice to the Seller (iii) a Special Concentration Limit of 5% is established for each of BF Goodrich and Ashland Chemical Company.

"Confidential Information" shall have the meaning set forth in the Credit Agreement in effect on the date hereof.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Contract" means an agreement between the Seller or a Selling Subsidiary and an Obligor, in substantially the form of one of the forms of written contract set forth in Schedule III hereto or otherwise approved by the Agent, or in the case of an open account agreement, as evidenced by one of the forms of invoices set forth in Schedule III hereto or otherwise approved by the Agent, pursuant to or under which such Obligor shall be obligated to pay for merchandise, insurance or services from time to time.

"CP Fixed Period Date" means, for any Eligible Asset, the date of Purchase of such Eligible Asset and thereafter the second Business day of each calendar month or

any other day as shall have been agreed to in writing by the Agent and the Seller prior to the first day of the preceding Fixed Period for such Eligible Asset, or, if there is no preceding Fixed Period, prior to the first day of such Fixed Period.

"CRC" shall have the meaning set forth in the recital of parties.

"Credit Agreement" means the Credit Agreement, dated as of August 16, 1994, among the Seller, the Banks party thereto and Citibank, as Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Credit and Collection Policy" means those credit and collection policies and practices in effect on the date hereof relating to Contracts and Receivables described in Schedule II hereto, as modified in compliance with Section 5.03(c).

"Debt" shall have the meaning set forth in the Credit Agreement in effect on the date hereof; any capitalized terms used in the definition of Debt set forth in the Credit Agreement shall have the meanings given to such terms in the Credit Agreement as of such date and are hereby incorporated herein by reference.

"Default Ratio" means the ratio (expressed as a percentage) computed as of the last day of each calendar month by dividing (i) the aggregate Outstanding Balance of all Pool Receivables that were Defaulted Receivables on such date or would have been Defaulted Receivables on such date had they not been written off the books of the Seller during such month by (ii) the aggregate Outstanding Balance of all Pool Receivables on such date.

"Defaulted Receivable" means a Receivable:

(i) as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment,

(ii) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.01(g),

(iii) which is subject to any dispute, offset, counterclaim or defense whatsoever (except the discharge in bankruptcy of the Obligor thereof) or

(iv) which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible.

"Delinquency Ratio" means the ratio (expressed as a percentage) computed as of the last day of each calendar month by dividing (i) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables at the end of such month by (ii) the aggregate Outstanding Balance of all Pool Receivables on such date.

"Delinquent Receivable" means a Receivable that is not a Defaulted Receivable and:

(i) as to which any payment, or part thereof, remains unpaid for 61 to 90 days from the original due date for such payment; or

(ii) which, consistent with the Credit and Collection Policy, would be classified as delinquent by the Seller.

"Designated Obligor" means, at any time, all Obligors; provided, however, that any Obligor shall cease to be a Designated Obligor upon three Business Days' notice by the Agent to the Seller or pursuant to Section 10.03.

"Determination Date" has the meaning assigned to that term in Section 10.03.

"Dilution Horizon" means, as of any date, a ratio computed by dividing (i) the aggregate Outstanding Balance of all Pool Receivables acquired by the Seller during the most recently ended prior calendar month or during such other period as the Agent shall, in its sole discretion, determine by (ii) the Outstanding Balance of Pool Receivables as at the last day of the most recently ended calendar month.

"Dilution Percentage" means, as of any date, the sum of (a) 1.5 times the product of (i) the average of the Dilution Ratios for each of the twelve most recently ended calendar months and (ii) the Dilution Horizon as at the last day of the most recently ended calendar month plus (b) Dilution Volatility as of such date; provided, however, that the "Dilution Percentage" shall be modified if, prior to such modification, (i) the Agent shall have (a) requested the approval of Moody's and S&P or both and (b) set forth, in a written notice delivered to the Seller, the proposed modification, together with written evidence of the approval of Moody's or S&P or both for such modification, and (ii) the Seller shall have delivered to the Agent its written consent to the proposed modification. Notwithstanding anything to the contrary contained in this definition of "Dilution Percentage," so long as the Seller's long-term senior debt securities, if rated, are rated at least BBB- by S&P and Baa3 by Moody's, or, if not rated, such securities are deemed to merit a BBB rating in the sole discretion of the Agent, the "Dilution Percentage" shall be zero.

"Dilution Ratio" means the ratio (expressed as a percentage) computed as of the last day of each calendar month by dividing (i) the aggregate amount of credits, rebates, discounts, disputes, chargebacks, returned inventory or equipment credits, allowances and other reductions of the Receivables Pool the effect of which in each case is to reduce the Outstanding Balance of any Pool Receivable (other than any dilution factor resulting solely from any write-off of any Pool Receivable by the Collection Agent and not from any of the other factors specified above) provided to Obligors during such calendar month in respect of the principal balance of any Pool Receivable by (ii) the aggregate Outstanding Balance of all Pool Receivables acquired by the Seller during the most recently ended prior calendar month or during such other period as the Agent shall, in its sole discretion, determine.

"Dilution Reserve" means, for any Eligible Asset at any date, an amount equal to

$$DP \times C$$

where:

DP = the Dilution Percentage of such Eligible Asset at the close of business of the Collection Agent on such date.

C = the Capital of such Eligible Asset at the close of business of the Collection Agent on such date.

"Dilution Volatility" means, as of any date, a ratio (expressed as a percentage) equal to the product of (a) the highest of the Dilution Ratios calculated for each of the twelve most recently ended calendar months minus the average of the Dilution Ratios for each of the twelve most recently ended calendar months and (b) a ratio calculated by dividing the highest of the Dilution Ratios calculated for each of the twelve most recently ended calendar months by the average of the Dilution Ratios for each of the twelve most recently ended calendar months.

"EBITDA" means, for any period, net income (or net loss) plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense and (d) amortization expense, in each case determined in accordance with GAAP for such period.

"Eligible Asset" means, at any time, an undivided percentage ownership interest at such time in (i) all then outstanding Pool Receivables arising prior to the time of the most recent computation or recomputation of such undivided percentage interest pursuant to Section 2.04, (ii) all Related Security with respect to such Pool Receivables

and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables. Such undivided percentage interest for such Eligible Asset shall be computed as

$$\frac{C + LR + DR + YR + CAFR}{NRPB}$$

where:

C = the Capital of such Eligible Asset at the time of such computation.

LR = the Loss Reserve of such Eligible Asset at the time of such computation.

DR = the Dilution Reserve of such Eligible Asset at the time of such computation.

YR = the Yield Reserve of such Eligible Asset at the time of such computation.

CAFR = the Collection Agent Fee Reserve of such Eligible Asset at the time of such computation.

NRPB = the Net Receivables Pool Balance at the time of such computation.

Each Eligible Asset shall be determined from time to time pursuant to the provisions of Section 2.04.

"Eligible Receivable" means, at any time and with respect to any Eligible Asset and subject to the provisions of Section 7.02, a Receivable:

(i) the Obligor of which is a United States resident, is not an Affiliate of any of the parties hereto, and is not a government or a governmental subdivision or agency;

(ii) the Obligor of which at the time of the initial creation of an interest therein hereunder is a Designated Obligor;

(iii) the Obligor of which at the time of the initial creation of an

interest therein hereunder is not the Obligor of any Defaulted Receivables in the aggregate amount of 5% or more of the aggregate Outstanding Balance of all Pool Receivables of such Obligor;

(iv) which at the time of the initial creation of an interest therein hereunder is not a Defaulted Receivable or a Delinquent Receivable;

(v) which, according to the Contract related thereto, is required to be paid in full within 30 days (or, in the case of Receivables having an Outstanding Balance not exceeding 25% of the Outstanding Balance of all Pool Receivables, 90 days) of the original billing date therefor;

(vi) which is an account receivable representing all or part of the sales price of merchandise, insurance and services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended;

(vii) a purchase of which with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended;

(viii) which is an "account" within the meaning of Section 9-106 of the UCC of the State of Ohio and the jurisdiction of the chief executive office of each Selling Subsidiary;

(ix) which is denominated and payable only in United States dollars in the United States;

(x) which arises under a Contract which has been duly authorized and which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the Obligor of such Receivable enforceable against such Obligor in accordance with its terms and is not subject to any dispute, offset, counterclaim or defense whatsoever (except the discharge in bankruptcy of such Obligor);

(xi) which, together with the Contract related thereto, does not contravene in any material respect any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract related thereto is in violation of any such law, rule or regulation in any material respect;

(xii) which (A) satisfies all applicable requirements of the Credit and Collection Policy and (B) complies with such other criteria and requirements (other than those relating to the collectibility of such Receivable) as the Agent may from time to time specify to the Seller upon 30 days notice; and

(xiii) as to which, at or prior to the time of the initial creation of an interest therein through a Purchase, the Agent has not notified the Seller that the Agent has determined, in its sole discretion, that such Receivable (or class of Receivables) is not acceptable for purchase by the Investor hereunder.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time and the regulations promulgated and rulings issued thereunder.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Rate" means, for any Fixed Period, an interest rate per annum at which deposits in U.S. dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Fixed Period in an amount substantially equal to the Capital associated with such Fixed Period on such first day and for a period equal to such Fixed Period.

"Eurodollar Rate Reserve Percentage" of any Owner for any Fixed Period in respect of which Yield is computed by reference to the Eurodollar Rate means the reserve percentage applicable during such Fixed Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Fixed Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Owner with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Liabilities is determined) having a term equal to such Fixed Period.

"Event of Investment Ineligibility" has the meaning assigned to that term in Section 7.01.

"Event of Receivables Ineligibility" has the meaning assigned to that term in Section 7.02.

"Excluded Obligors" has the meaning assigned to that term in Section 10.03.

"Excluded Receivables" has the meaning assigned to that term in Section 10.03.

"Facility" means the willingness of the Investor to consider, in its sole discretion pursuant to Article II, the purchase from the Seller of undivided percentage interests in Pool Receivables by making Purchases of Eligible Assets from time to time.

"Facility Termination Date" means the earlier of December 19, 2002 or the date of termination of the Facility pursuant to Section 2.03 or Section 7.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fixed Period" means with respect to any Eligible Asset:

(a) in the case of any Fixed Period in respect of which Yield is computed by reference to the Investor Rate each successive period commencing on each CP Fixed Period Date for such Eligible Asset and ending on the next succeeding CP Fixed Period Date for such Eligible Asset;

(b) in the case of any Fixed Period in respect of which Yield is computed by reference to the Assignee Rate, each successive period of from one to and including 29 days, or a period of one, two, three or six months as the Seller shall select and the Agent shall approve on notice by the Seller received by the Agent (including notice by telephone, confirmed in writing) not later than 11:00 A.M. (New York City time) on such last day, each such Fixed Period for any Eligible Asset to commence on the last day of the immediately preceding Fixed Period for such Eligible Asset (or, if there is no such Fixed Period, on the date of Purchase of such Eligible Asset), except that if the Agent shall not have received such notice or the Agent and the Seller shall not have so mutually agreed before 11:00 A.M. (New York City time) on such last day, such period

shall be one day;

provided, however, that:

(i) any such Fixed Period (other than of one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day (provided, however, if Yield in respect of such Fixed Period is computed by reference to the Eurodollar Rate, and such Fixed Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Fixed Period shall end on the next preceding Business Day);

(ii) in the case of Fixed Periods of one day for any Eligible Asset, (A) if such Fixed Period is such Eligible Asset's initial Fixed Period, such Fixed Period shall be the day of the related Purchase; (B) any subsequently occurring Fixed Period which is one day shall, if the immediately preceding Fixed Period is more than one day, be the last day of such immediately preceding Fixed Period, and, if the immediately preceding Fixed Period is one day, be the day next following such immediately preceding Fixed Period; and (C) which occurs on a day immediately preceding a day which is not a Business Day shall be extended to the next succeeding Business Day; and

(iii) in the case of any Fixed Period for any Eligible Asset which commences before the Termination Date for such Eligible Asset and would otherwise end on a date occurring after such Termination Date, such Fixed Period shall end on such Termination Date and the duration of each Fixed Period which commences on or after the Termination Date for such Eligible Asset shall be of such duration as shall be selected by the Agent.

"GAAP" has the meaning specified in Section 1.04.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Interest Coverage Ratio" means, with respect to any fiscal quarter, the ratio of EBITDA for the Seller and its Subsidiaries to Cash Interest Expense, in each case in the aggregate for the period of four consecutive fiscal quarters ended at the end of such fiscal quarter.

"Investor" means Corporate Receivables Corporation, a California corporation,

Ciesco, L.P., a New York limited partnership, and any of their respective successors or assigns that is a receivables investment company which in the ordinary course of its business issues commercial paper or other securities to fund its acquisition and maintenance of receivables.

"Investor Rate" for any Fixed Period for any Eligible Asset means, to the extent an Owner funds such Eligible Asset for such Fixed Period by issuing commercial paper, the per annum rate equivalent to the weighted average of the per annum rates paid or payable by such Owner from time to time as interest on or otherwise (by means of interest rate hedges or otherwise) in respect of those promissory notes issued by such Owner that are allocated, in whole or in part, by CNAI (on behalf of the Owner) to fund the Purchase or maintenance of such Eligible Asset during such Fixed Period, as determined by CNAI (on behalf of the Owner) and reported to the Seller and, if the Collection Agent is not the Seller, the Collection Agent, which rates shall reflect and give effect to the commissions of placement agents and dealers in respect of such promissory notes, to the extent such commissions are allocated, in whole or in part, to such promissory notes by CNAI (on behalf of the Owner); provided, however, if the rate (or rates) as agreed between any such agent or dealer and the Agent with regard to any Fixed Period for any Eligible Asset is a discount rate (or rates), the "Investor Rate" for such Fixed Period shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum.

"Liquidation Day" for any Eligible Asset means either (i) each day during any Settlement Period for such Eligible Asset on which the conditions set forth in Section 3.02 are not satisfied (or such failure of conditions is not waived by the Agent), or (ii) each day which occurs on or after the Termination Date for such Eligible Asset.

"Liquidation Fee" means, for any Fixed Period during which a Liquidation Day occurs, the amount, if any, by which (i) the additional Yield (calculated without taking into account any Liquidation Fee or any shortened duration of such Fixed Period pursuant to clause (iv) of the definition thereof) which would have accrued during such Fixed Period on the reductions of Capital of the Eligible Asset relating to such Fixed Period had such reductions remained as Capital, exceeds (ii) the income, if any, received by the Owner's investing the proceeds of such reductions of Capital.

"Liquidation Yield" means, for any Eligible Asset at any date, an amount equal to the product of (i) the Capital of such Eligible Asset as at such date and (ii) the product of (a) the Assignee Rate for such Eligible Asset for a Fixed Period deemed to commence at such time for a period of 30 days and (b) a fraction having as its numerator the number of days in the period equal to the Average Maturity (as in effect at such date) and 360 as its denominator.

"Loan Documents" shall have the meaning set forth in the Credit Agreement.

"Lock-Box Account" means an account maintained at a Lock-Box Bank for the purpose of receiving Collections.

"Lock-Box Agreement" means an agreement, in substantially the form of Exhibit D hereto, from the Seller or any Selling Subsidiary to any Lock-Box Bank with such modifications as may be acceptable to the Agent.

"Lock-Box Bank" means any of the banks holding one or more Lock-Box Accounts.

"Loss Percentage" means, for any Eligible Asset at any date, the greatest of (i) three times the highest Default Ratio as of the last day of the 12 months ended immediately preceding such date, (ii) three times the Concentration Limit and (iii) 10%.

"Loss Reserve" means, for any Eligible Asset at any date, an amount equal to

LP x C + YR)

where:

LP = the Loss Percentage for such Eligible Asset at the close of business of the Collection Agent on such date.

C = the Capital of such Eligible Asset at the close of business of the Collection Agent on such date.

YR = the Yield Reserve for such Eligible Asset at the close of business of the Collection Agent on such date.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Pool Balance" means, at any time, the Outstanding Balance of the Eligible Receivables in the Receivables Pool at such time reduced by the sum of (i) the aggregate Outstanding Balance of the Defaulted Receivables in the Receivables Pool at such time and (ii) the aggregate amount by which the Outstanding Balance of Eligible Receivables (other than Defaulted Receivables) of each Obligor then in the Receivables Pool exceeds the product of (a) the Concentration Limit for such Obligor multiplied by (b) the Outstanding Balance of the Eligible Receivables then in the Receivables Pool.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Original Agreement" shall have the meaning set forth in the Preliminary Statements.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Owner" means, for each Eligible Asset, upon its Purchase, the Investor which made such Purchase and all other owners by assignment or otherwise of an Eligible Asset and, to the extent of the undivided interests so purchased, shall include any participants.

"Parallel Purchase Commitment" means the Third Amended and Restated Parallel Purchase Commitment dated as of the date hereof among the Seller, the financial institutions party thereto and CNAI, as Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pool Receivable" means a Receivable in the Receivables Pool.

"Public Debt Rating" means for purposes of determining the Applicable Margin, as of any date, the rating most recently announced by S&P and Moody's, as the case may be, for any class of long-term senior unsecured debt issued by the Seller. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Public Debt Rating for determining the Applicable Margin will be deemed to be below BB by S&P and below Ba2 by Moody's; (c) if the ratings established by

S&P and Moody's shall fall within different levels, if (i) the differential is one level, the Applicable Margin shall be based upon the higher rating and (ii) the differential is two levels or more, the Applicable Margin shall be based upon one level higher than the lower rating; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Purchase" means a purchase by the Investor of an Eligible Asset from the Seller pursuant to Article II.

"Purchase Limit" means $85,000,000, as such amount may be reduced pursuant to Section 2.03.

"Receivable" means the indebtedness of any Obligor under a Contract arising from a sale by the Seller or any Selling Subsidiary, and includes the right to payment of any interest or finance charges and other obligations of such Obligor with respect thereto.

"Receivables Pool" means at any time the aggregation of each then outstanding Receivable in respect of which the Obligor is a Designated Obligor or, as to any Receivable in existence on such date, was a Designated Obligor on the date of any Purchase or reinvestment pursuant to Section 2.05, and which is not excluded from the Receivables Pool pursuant to Section 10.03.

"Reinvestment Termination Date" for any Eligible Asset means that Business Day which the Seller designates, or, if the conditions precedent in Section 3.02 and, for each Eligible Asset owned by Ciesco, Section 3.03 and, for each Eligible Asset owned by CRC, Section 3.04, are not satisfied, such Business Day which the Agent designates, as the Reinvestment Termination Date for such Eligible Asset by notice to the Agent (if the Seller so designates) or to the Seller (if the Agent so designates) at least one Business Day prior to such Business Day.

"Related Security" means with respect to any Receivable:

(i) all of the interest of the Seller and the Selling Subsidiaries in the merchandise (including returned merchandise), if any, relating to the sale which gave rise to such Receivable;

(ii) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements signed by an Obligor describing any collateral securing such Receivable; and

(iii) all guarantees, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise.

"Responsible Officer" means the chief financial officer, controller or chief accounting officer of the Seller.

"Restatement Effective Date" shall have the meaning set forth in Section 11.04.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill companies.

"Seller Report" means a report, in substantially the form of Exhibit C hereto, furnished by the Collection Agent to the Agent for each Owner pursuant to Section 2.07.

"Selling Subsidiary" means Plast-O-Meric, Inc., a Wisconsin corporation, and each other wholly-owned Subsidiary of the Seller that shall from time to time become a party to a Selling Subsidiary Letter pursuant to Section 5.01(1).

"Selling Subsidiary Letter" means the Selling Subsidiary Letter dated the date hereof and duly executed by Plast-O-Meric, Inc. and the Seller together with each other Selling Subsidiary Letter in substantially the form of Exhibit E hereto, delivered to the Agent by each other Selling Subsidiary and the Seller pursuant to Section 5.01(l) as the same may, from time to time, be amended, supplemented or otherwise modified in accordance with its terms.

"Settlement Period" for any Eligible Asset means each period commencing on the first day of each Fixed Period for such Eligible Asset and ending on the last day of such Fixed Period, and, on and after the Termination Date for such Eligible Asset, such period (including, without limitation, a daily period) as shall be selected from time to time by the Agent or, in the absence of any such selection, each period of thirty days from the last day of the immediately preceding Settlement Period.

"Subsidiary" of any Person means any corporation, partnership, joint venture,

trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Termination Date" for any Eligible Asset means the earlier of (i) the Reinvestment Termination Date for such Eligible Asset and (ii) the Facility Termination Date.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Usage" means, as of any date of determination, the ratio (expressed as a percentage) computed by dividing the aggregate principal amount of the Outstanding Balance of the Receivables Pool by the Purchase Limit, calculated in each case as of the close of business of the Collection Agent on such date.

"Yield" means:

(i) for each Eligible Asset for any Fixed Period to the extent an Investor will be funding such Eligible Asset on the first day of such Fixed Period through the issuance of commercial paper,

$$IR \times C \times \frac{ED + LF}{360}$$

(ii) for each Eligible Asset for any Fixed Period to the extent the Owner will not be funding such Eligible Asset on the first day of such Fixed Period through the issuance of commercial paper,

$$AR \times C \times \frac{ED + LF}{360}$$

where:

AR = the Assignee Rate for such Eligible Asset for such Fixed Period.

C = the Capital of such Eligible Asset during such Fixed Period.

IR = the Investor Rate for such Eligible Asset for such Fixed Period.

ED = the actual number of days elapsed during such Fixed Period.

LF = the Liquidation Fee, if any, for such Eligible Asset for such Fixed Period.

provided, however, that no provision of this Agreement or the Certificate shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law; and provided, further, that Yield for any Eligible Asset shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Yield Reserve" for any Eligible Asset at any time means the sum of (i) the Liquidation Yield at such time for such Eligible Asset, and (ii) the accrued and unpaid Yield for such Eligible Asset.

SECTION 1.02. Other Terms. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

SECTION 1.03. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

SECTION 1.04. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE PURCHASES

SECTION 2.01. Facility. On the terms and conditions hereinafter set forth, each Investor may, in its sole discretion, make Purchases from time to time during the period from the date hereof to the Facility Termination Date. Under no circumstances shall any Investor make any Purchase if, after giving effect to such Purchase, the aggregate outstanding Capital of Eligible Assets, together with the aggregate outstanding "Capital" of "Eligible Assets" under the Parallel Purchase Commitment would exceed the Purchase Limit. The Owner of each Eligible Asset shall, with the proceeds of Collections attributable to such Eligible Asset, reinvest, pursuant to Section 2.05, in additional undivided percentage interests in the Pool Receivables by making an appropriate readjustment of such Eligible Asset. Nothing in this Agreement shall be deemed to be or construed as a commitment by any Investor (or CNAI or Citibank) to purchase any Eligible Asset at any time.

SECTION 2.02. Making Purchases. (a) Each Purchase shall be made on at least one Business Days' notice from the Seller to the Agent or on such other notice period as the Seller and the Agent shall agree. Each such notice of a proposed Purchase shall specify the desired amount (which shall not be less than $1,000,000), date and duration of the initial Fixed Period for the Eligible Asset to be purchased. The Agent shall promptly notify the Seller whether such terms are acceptable to any Investor.

(b) On the date of each Purchase, each Investor making a Purchase shall, upon satisfaction of the applicable conditions set forth in Article III, make available to the Agent the amount of its Purchase by deposit of such amount in same day funds to the Agent's Account, and, after receipt by the Agent of such funds, the Agent will cause such funds to be made immediately available to the Seller at Citibank's office at 399 Park Avenue, New York, New York. The Agent shall notify the Seller and if the Seller is not the Collection Agent, the Collection Agent, of the Investor Rate or Assignee Rate, as applicable, for each Fixed Period for each Eligible Asset on the last day of such Fixed Period in the case of the Investor Rate and on the first day of such Fixed Period in the case of the Assignee Rate.

SECTION 2.03. Termination of Facility or Reduction of the Purchase Limit. (a) Optional. The Seller may, upon at least five Business Days' notice to the Agent, terminate the Facility in whole or reduce in part the unused portion of the Purchase Limit; provided, however, that for purposes of this Section 2.03(a), the unused portion of the Purchase Limit shall be computed as the excess of (A) the Purchase Limit immediately prior to giving effect to such termination or reduction over (B) the sum of (i) the aggregate Capital of Eligible Assets outstanding at the time of such computation and (ii) the aggregate "Capital" of "Eligible Assets" outstanding under the Parallel Purchase Commitment at such time; provided further that each partial reduction shall be in an amount equal to $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Mandatory. On each day on which the Seller shall, pursuant to Section

2.03(a) of the Parallel Purchase Commitment, reduce in part the unused portion of the Commitment (as defined in the Parallel Purchase Commitment), the Purchase Limit shall automatically reduce by an equal amount. The Purchase Limit shall automatically terminate in whole on any day on which the Seller shall terminate in whole the Commitment pursuant to Section 2.03(a) of the Parallel Purchase Commitment.

SECTION 2.04. Eligible Asset. (a) Each Eligible Asset shall be initially computed as of the opening of business of the Collection Agent on the date of Purchase of such Eligible Asset. Thereafter until the Termination Date for such Eligible Asset, such Eligible Asset shall be automatically recomputed as of the close of business of the Collection Agent on each day (other than a Liquidation Day). Such Eligible Asset shall remain constant from the time as of which any such computation or recomputation is made until the time as of which the next such recomputation, if any, shall be made. Any Eligible Asset, as computed as of the day immediately preceding the Termination Date for such Eligible Asset, shall remain constant at all times on and after such Termination Date. Such Eligible Asset shall become zero at such time as the Owner of such Eligible Asset shall have received the accrued Yield for such Eligible Asset and shall have recovered the Capital of such Eligible Asset, and the Collection Agent shall have received the accrued Collection Agent Fee for such Eligible Asset.

(b) If any Eligible Asset would otherwise be reduced on any day on account of Receivables arising as or becoming Pool Receivables, the Owner of such Eligible Asset may prevent such reduction by giving notice to the Collection Agent, before the close of business of the Collection Agent on such day, that such Eligible Asset's interest in such Receivables is to be limited so as to prevent such reduction. If such notice is given for any day for any Eligible Asset, the Receivables Pool for such Eligible Asset, and the Net Receivables Pool Balance for such Eligible Asset, will include, with respect to Receivables arising as or becoming Pool Receivables on such day, only such number of such Receivables or such portion of such Receivables as shall cause such Eligible Asset to remain constant, such Receivables or portion thereof being included in the Receivables Pool for such Eligible Asset in the order of the Seller's account numbers for such Receivables up to an aggregate amount so as to cause such Eligible Asset to remain constant, and the remainder of such Receivables or portion thereof shall be treated as Receivables arising on the next succeeding Business Day.

SECTION 2.05. Non-Liquidation Settlement Procedures. On each day (other than a Liquidation Day) during each Settlement Period for each Eligible Asset, the Collection Agent shall: (i) out of Collections of Pool Receivables attributable to such Eligible Asset received on such day, set aside (and segregate if instructed by the Agent to do so under Section 6.02(a)) and hold in trust for the Owner of such Eligible Asset an aggregate amount equal to the sum of (A) the Yield and Collection Agent Fee accrued through such day for such Eligible Asset and not so previously set aside and (B) if the Agent shall have declared the Pool

Receivables originally owed to any Selling Subsidiary as not being Eligible Receivables pursuant to Section 7.02, that amount, if any, which would be required to reduce Capital of such Eligible Asset so that, together with similar reductions of Capital of all other Eligible Assets and of "Capital" of "Eligible Assets" under the Parallel Purchase Commitment, the aggregate undivided percentage interest for all Eligible Assets and the "Eligible Assets" under the Parallel Purchase Commitment would not, after giving effect to the Collections of Pool Receivables and the addition of new Pool Receivables on such day and the resulting recomputation of all Eligible Assets pursuant to Section 2.04 and of all "Eligible Assets" under, and pursuant to Section 2.04 of, the Parallel Purchase Commitment as of the end of such day, exceed 100%, and (ii) reinvest the remainder of such Collections, for the benefit of such Owner, by recomputation of such Eligible Asset pursuant to Section 2.04 as of the end of such day and the payment of such remainder to the Seller; provided, however, that, to the extent that the Agent or any Owner shall be required for any reason to pay over any amount of Collections which shall have been previously reinvested for the account of such Owner pursuant hereto, such amount shall be deemed not to have been so applied but rather to have been retained by the Seller and paid over for the account of such Owner and, notwithstanding any provision hereof to the contrary, such Owner shall have a claim for such amount. On the second Business Day following the last day of each Settlement Period for such Eligible Asset in the case of any Eligible Asset for which Yield shall be determined for such Settlement Period with reference to the Investor Rate, and on the last day of each Settlement Period for each other Eligible Asset, the Collection Agent shall deposit to the Agent's Account for the account of the Owner of such Eligible Asset the amounts set aside as described in clause (i) of the first sentence of this Section 2.05. Upon receipt of such funds by the Agent, the Agent shall distribute them to the Owner of such Eligible Asset in payment of the accrued Yield for such Eligible Asset and in reduction of the Capital thereof as described in clause (i)(B) of the first sentence of this Section 2.05 and to the Collection Agent in payment of the accrued Collection Agent Fee payable with respect to such Eligible Asset. If there shall be insufficient funds on deposit for the Agent to distribute funds in payment in full of the aforementioned amounts, the Agent shall distribute funds, first, in payment of the accrued Yield for such Eligible Asset, second, in reduction of the Capital thereof described in clause (i)(B) of the first sentence of this Section 2.05, and third, in payment of the accrued Collection Agent Fee payable with respect to such Eligible Asset.

SECTION 2.06. Liquidation Settlement Procedures. On each Liquidation Day during each Settlement Period for each Eligible Asset, the Collection Agent shall set aside (and segregate if instructed by the Agent to do so under Section 6.02(a)) and hold in trust for the Owner of such Eligible Asset the Collections of Pool Receivables attributable to such Eligible Asset received on such day. On the second Business Day following the last day of each Settlement Period for such Eligible Asset in the case of any Eligible Asset for which Yield shall be determined for such Settlement Period with reference to the Investor Rate, and on the last day of each Settlement Period for each other Eligible Asset, the Collection Agent shall deposit to the Agent's Account for the account of the Owner of such Eligible Asset the

amounts set aside pursuant to the preceding sentence but not to exceed the sum of (i) the accrued Yield for such Eligible Asset, (ii) the Capital of such Eligible Asset, (iii) the accrued Collection Agent Fee payable with respect to such Eligible Asset and (iv) the aggregate amount of other amounts owed hereunder by the Seller to the Owner of such Eligible Asset. Any amounts set aside pursuant to the first sentence of this Section 2.06 and not required to be deposited to the Agent's Account pursuant to the preceding sentence shall be paid to the Seller by the Collection Agent; provided, however, that, if amounts are set aside during such Settlement Period pursuant to the first sentence of this Section 2.06 on any Liquidation Day and thereafter during such Settlement Period the conditions set forth in Section 3.02 are satisfied or are waived by the Agent, such previously set aside amounts shall, to the extent representing a return of Capital, be applied pursuant to clause (ii) of the first sentence of Section 2.05 on the day of such subsequent satisfaction or waiver of conditions. Upon receipt of funds deposited to the Agent's Account pursuant to the preceding sentence or Section 7.07 of the Credit Agreement, the Agent shall distribute them (i) to the Owner of such Eligible Asset (a) in payment of the accrued Yield for such Eligible Asset, (b) in reduction (to zero) of the Capital of such Eligible Asset and (c) in payment of any other amounts owed by the Seller hereunder to such Owner and (ii) to the Collection Agent in payment of the accrued Collection Agent Fee payable with respect to such Eligible Asset. If there shall be insufficient funds on deposit for the Agent to distribute funds in payment in full of the aforementioned amounts, the Agent shall distribute funds, first, in payment of the accrued Yield for such Eligible Asset, second, in reduction of Capital of such Eligible Asset, third, in payment of other amounts payable to such Owner, and fourth, in payment of the accrued Collection Agent Fee payable with respect to such Eligible Asset.

SECTION 2.07. General Settlement Procedures. If on any day the Outstanding Balance of a Pool Receivable is either (a) reduced as a result of any defective, rejected or returned merchandise, insurance or services, any cash discount, or any adjustment by the Seller or any Selling Subsidiary, or (b) reduced or cancelled as a result of a setoff in respect of any claim by the Obligor thereof against the Seller or any Selling Subsidiary (whether such claim arises out of the same or a related transaction or an unrelated transaction), the Seller shall be deemed to have received on such day a Collection of such Receivable in the amount of such reduction or cancellation. If on any day any of the representations or warranties in Section 4.01(h) is no longer true with respect to a Pool Receivable (including, without limitation, each Pool Receivable, if any, that is declared by the Agent not to be an Eligible Receivable pursuant to Section 7.02), the Seller shall be deemed to have received on such day a Collection in full of such Pool Receivable. Except as stated in the preceding sentences of this Section 2.07 or as otherwise required by law or the underlying Contract, all Collections received from an Obligor of any Receivable shall be applied to Receivables then outstanding of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, except if payment is designated by such Obligor for application to specific Receivables. Prior to the tenth Business Day of each month, the Collection Agent shall

prepare and forward to the Agent for each Owner of an Eligible Asset (i) a Seller Report, relating to each Eligible Asset, as of the close of business of the Collection Agent on the last day of the immediately preceding month, and (ii) at the request of the Agent, a listing by Obligor of all Pool Receivables, together with an analysis as to the aging of such Receivables. On or prior to the day the Collection Agent is required to make a deposit with respect to a Settlement Period pursuant to Section 2.05 or 2.06, the Seller will advise the Agent of each Liquidation Day occurring during such Settlement Period and of the allocation of the amount of such deposit to each outstanding Eligible Asset; provided, however, that, if the Seller is not the Collection Agent, the Seller shall also advise the Collection Agent of the occurrence of each such Liquidation Day occurring during such Settlement Period on or prior to such day.

SECTION 2.08. Payments and Computations, Etc. All amounts to be paid or deposited by the Seller hereunder shall be paid or deposited in accordance with the terms hereof no later than 11:00 A.M. (New York City time) on the day when due in lawful money of the United States of America in same day funds to the Agent's Account. The Seller shall, to the extent permitted by law, pay to the Agent interest on all amounts not paid or deposited when due hereunder at 2% per annum above the Alternate Base Rate, payable on demand, provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law. Such interest shall be retained by the Agent except to the extent that such failure to make a timely payment or deposit has continued beyond the date for distribution by the Agent of such overdue amount to an Owner of an Eligible Asset, in which case such interest accruing after such date shall be for the account of, and distributed by the Agent to the Owners ratably in accordance with their respective interests in such overdue amount. All computations of interest and all computations of Yield, Liquidation Yield and fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

SECTION 2.09. Dividing or Combining of Eligible Assets. The Seller may, on notice received by the Agent not later than 11:00 A.M. (New York City time) three Business Days before the last day of any Fixed Period for any then existing Eligible Asset (an "Existing Eligible Asset"), divide such Existing Eligible Asset on such last day into two or more new Eligible Assets, each such new Eligible Asset having Capital as designated in such notice and all such new Eligible Assets collectively having aggregate Capital equal to the Capital of such Existing Eligible Asset. The Seller may, on notice received by the Agent not later than 11:00 A.M. (New York City time) three Business Days before the last day of any Fixed Periods ending on the same day for two or more Existing Eligible Assets owned by the same Owner or the date of any proposed Purchase (if the last day of such Fixed Period is the date of such proposed Purchase), either (i) combine such Existing Eligible Assets or (ii) combine such Existing Eligible Asset or Eligible Assets, if owned by an Investor, and such proposed Eligible Asset to be purchased, on such last day into one new Eligible Asset, such new Eligible Asset having Capital equal to the aggregate Capital of such Existing Eligible Assets, or such Existing Eligible Asset or Eligible Assets and such proposed Eligible Asset, as the case may be. On

and after any division or combination of Eligible Assets as described above, each of the new Eligible Assets resulting from such division, or the new Eligible Asset resulting from such combination, as the case may be, shall be a separate Eligible Asset having Capital as set forth above, and shall take the place of such Existing Eligible Asset or Eligible Assets or proposed Eligible Asset, as the case may be, in each case under and for all purposes of this Agreement, and the Agent shall annotate the Certificate accordingly.

SECTION 2.10. Fees and Payments. (a) The Seller shall pay certain fees to the Agent as more fully set forth in a letter agreement of even date herewith.

(b) Each Owner shall pay to the Collection Agent a collection fee (the "Collection Agent Fee") of 1/4 of 1% per annum on the average daily amount of Capital of each Eligible Asset owned by such Owner, from the date thereof until the later of the Facility Termination Date or the date on which such Capital is reduced to zero, payable on the last day of each Settlement Period for such Eligible Asset; provided, however, that, upon three Business Days' notice to the Agent, the Collection Agent may (if not the Seller) elect to be paid, as such fee, another percentage per annum on the average daily amount of Capital of each such Eligible Asset, but in no event in excess of 110% of the costs and expenses referred to in Section 6.02(b); and provided further that such fee shall be payable only from Collections pursuant to, and subject to the priority of payment set forth in, Sections 2.05 and 2.06.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation occurring on or after the effective date of this Agreement or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued on or after the effective date of this Agreement, there shall be any increase in the amount of capital required or expected to be maintained by CNAI, an Owner, any entity which enters into a commitment to purchase Eligible Assets or interests therein, or any of their respective Affiliates (each an "Affected Person") or any corporation controlling such Affected Person, as a result of or based upon the existence of any commitment to make purchases of or otherwise to maintain the investment in Pool Receivables or interests therein related to this Agreement or to the funding thereof and other commitments of the same type relating to this Agreement, then, within five Business Days after receipt of a written demand by such Affected Person, (with a copy to the Agent), the Seller shall immediately pay to the Agent, for the account of such Affected Person (as a third-party beneficiary), from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments. A certificate as to such amounts setting forth in reasonable detail the calculations used in determining, and the basis of the requirements for, such amounts, submitted to the Seller and the Agent by such Affected Person, shall be conclusive and binding for all purposes, absent evidence of error.

Notwithstanding anything to the contrary contained in this subsection (a), an Owner shall only be entitled to receive reimbursement for such additional amounts pursuant to this subsection (a) to the extent (i) incurred within 60 days prior to, and at any time after, the date on which such Owner gives to the Seller a notice that an event has occurred as a result of which such additional amounts will arise or a notice that the Seller is obligated to pay such additional amounts, whichever first occurs and (ii) such Owner shall not have been reimbursed for such additional amounts under a separate Section of this Agreement.

(b) If, due to either (i) the introduction of or any change occurring on or after the effective date of this Agreement (other than any change by way of imposition or increase of reserve requirements referred to in Section 2.12) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued on or after the effective date of this Agreement, there shall be any increase in the cost to an Owner of agreeing to purchase or purchasing, or maintaining the ownership of Eligible Assets in respect of which Yield is computed by reference to the Eurodollar Rate, then, within five Business Days after receipt of a written demand by such Owner (with a copy to the Agent), the Seller shall pay to the Agent, for the account of such Owner (as a third-party beneficiary), from time to time as specified, additional amounts sufficient to compensate such Owner for such increased costs. A certificate as to the amount of such increased cost setting forth in reasonable detail the calculations used for determining, and the basis of the requirements for, such increased costs, submitted to the Seller and the Agent by such Owner shall be conclusive and binding for all purposes, absent evidence of error. Notwithstanding anything to the contrary contained in this subsection (b), an Owner shall only be entitled to receive reimbursement for such increased costs to the extent (i) incurred within 60 days prior to, and at any time after, the date on which such Owner gives to the Seller a notice that an event has occurred as a result of which such increased costs will arise or a notice that the Seller is obligated to pay increased costs, whichever first occurs and (ii) such Owner shall not have been reimbursed for such increased cost under a separate Section of this Agreement.

SECTION 2.12. Additional Yield on Eligible Assets Bearing a Eurodollar Rate. The Seller shall pay to an Owner, so long as such Owner shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional Yield on the unpaid Capital of each Eligible Asset of such Owner during each Fixed Period in respect of which Yield is computed by reference to the Eurodollar Rate, for such Fixed Period, at a rate per annum equal at all times during such Fixed Period to the remainder obtained by subtracting (i) the Eurodollar Rate for such Fixed Period from (ii) the rate obtained by dividing such Eurodollar Rate referred to in clause (i) above by that percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Owner for such Fixed Period, payable on each date on which Yield is payable on such Eligible Asset. A certificate as to such additional Yield

submitted to the Seller and the Agent by such Owner shall be conclusive and binding for all purposes, absent evidence of error.

ARTICLE III

CONDITIONS OF EFFECTIVENESS AND OF PURCHASES

SECTION 3.01. Conditions Precedent to the Original Agreement. The effectiveness of the Original Agreement, and the initial Purchase under the Original Agreement after the date of effectiveness of the Original Agreement were subject to these conditions precedent, which were satisfied: (i) the Original Agreement was executed by the Seller, each Investor and the Agent and (ii) the Agent did receive on or before the date of effectiveness of the Original Agreement the following:

(a) The Certificate under the Original Agreement;

(b) A copy of the resolutions adopted by the Board of Directors of the Seller approving the Original Agreement, the Certificate delivered in connection therewith, and the other documents delivered by it thereunder, and the transactions contemplated thereby, certified by its Secretary or Assistant Secretary;

(c) A certificate of the Secretary or Assistant Secretary of the Seller certifying the names and true signatures of the officers authorized on its behalf to sign the Original Agreement, the Certificate thereunder and the other documents to be delivered by it thereunder (on which certificate the Agent and each Owner shall be entitled to conclusively rely until such time as the Agent shall have received from the Seller a revised certificate meeting the requirements of this subsection (c));

(d) Acknowledgment copies of proper Financing Statements (Form UCC-1), dated a date reasonably near to the date of the initial Purchase under the Original Agreement, naming the Seller as the assignor of Receivables and CNAI, as Agent, as assignee, as shall be necessary or, in the opinion of the Agent, desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the ownership interests in all Receivables in which an interest could have been assigned thereunder.

(e) Certified copies of Requests for Information or Copies (Form UCC-11) (or a similar search report certified by a party acceptable to the Agent), dated a date reasonably near to the date of the initial Purchase under the Original Agreement, listing all effective financing statements (including those referred to above in subsection (d)) which name the Seller (under its then present name and any previous name) as debtor and which were filed in the jurisdictions in which filings were made pursuant to subsection

(d) above, together with copies of any such financing statements (none of which (other than the financing statements filed pursuant to clause (d) above after giving effect thereto), shall cover any Receivables, Contracts or Related Security);

(f) Acknowledgment copies of proper Financing Statements (Form UCC-3), if any, necessary to release all security interests and other rights of any Person other than the Agent in the Receivables, Contracts or Related Security previously granted by the Seller;

(g) Executed copies of Lock-Box Agreements duly executed by the Seller;

(h) An executed copy of the Original Parallel Purchase Commitment (as defined in the Parallel Purchase Commitment) duly executed by the Seller, CNAI and each Bank (as defined therein) thereunder;

(i) A favorable opinion of (i) in-house counsel to the Seller, substantially in the form of Exhibit E-1 to the Original Agreement and (ii) Thompson, Hine and Flory, special counsel to the Seller, substantially in the form of Exhibit E-2 to the Original Agreement, and as to such other matters as the Agent may reasonably request; and

(j) A favorable opinion of counsel for the Agent, as the Agent may reasonably request.

(k) Letters and certificates, in form and substance satisfactory to the Agent, attesting to the solvency of the Seller after giving effect to the Original Agreement and the transactions contemplated thereby, from the Seller's treasurer or chief accounting officer.

SECTION 3.02. Conditions Precedent to Amendment and Restatement and to the Initial Purchase After the Restatement Effective Date. The effectiveness of this Agreement to amend and restate the Original Agreement, and the initial Purchase hereunder after the Restatement Effective Date, are subject to the conditions precedent that (i) this Agreement shall have been executed by the Seller, each Investor and the Agent and (ii) the Agent shall have received on or before the Restatement Effective Date the following, each of which (unless otherwise indicated) shall be dated such date, in form and substance satisfactory to the Agent:

(a) The Certificate;

(b) The Selling Subsidiary Letter duly executed by the Selling Subsidiary and the Seller;

(c) Certified copies of the charter and by-laws, as amended, of the Selling Subsidiary;

(d) A copy of the resolutions adopted by the Board of Directors of (i) the Seller approving this Agreement and the other documents to be delivered by it thereunder and all the transactions contemplated hereby and thereby and (ii) the Selling Subsidiary authorizing the Selling Subsidiary Letter and the transactions contemplated hereby and thereby, in each case certified by its Secretary or Assistant Secretary;

(e) A certificate of the Secretary or Assistant Secretary of (i) Seller certifying the names and true signatures of the officers authorized on its behalf to sign this Agreement, the Certificate and the other documents to be delivered by it hereunder and thereunder, and (ii) the Selling Subsidiary certifying the names and true signatures of the officers authorized on its behalf to sign the Selling Subsidiary Letter and the other documents to be delivered by it hereunder and thereunder (on which certificates the Agent and each Owner shall be entitled to conclusively rely until such time as the Agent shall have received from the Seller or the Selling Subsidiary as the case may be, a revised certificate meeting the requirements of this subsection (e));

(f) Executed copies of (i) proper Financing Statements (Form UCC-1), to be filed immediately, naming the Selling Subsidiary as the assignor of Receivables originally owed to such Selling Subsidiary, the Seller as secured party and the Agent as assignee of the secured party, as shall be necessary or, in the opinion of the Agent, desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the interests in all Receivables created by the Selling Subsidiary Letter, (ii) proper continuations and amendments (Form UCC-3) to the Financing Statements that were filed pursuant to Section 3.01(d) of the Original Agreement, adding to the property covered thereby the Pool Receivables originally owed to the Selling Subsidiary and continuing the effectiveness of such original Financing Statements; and (iii) proper Financing Statements (Form UCC-1), to be filed immediately with the Clerk of Lorain County, Ohio, naming the Seller as the assignor of Receivables and CNAI, as Agent, as secured party;

(g) Certified copies of Requests for Information or Copies (Form UCC-11) (or a similar search report certified by a party acceptable to the Agent), dated a date reasonably near to the Restatement Effective Date, listing all effective financing statements which name the Selling Subsidiary (under its then present name, any trade names and any previous name) as debtor and which were filed in the jurisdictions in which filings were made pursuant to subsection (f) above, together with copies of any such financing statements (none of which (other than the financing statements filed pursuant to clause (f) above after giving effect thereto), shall cover any Receivables, Contracts or Related Security);

(h) Acknowledgment copies of proper Financing Statements (Form UCC-3),

if any, necessary to release all security interests and other rights of any Person other than the Agent in the Receivables, Contracts or Related Security previously granted by the Selling Subsidiary;

(i) Executed copies of Lock-Box Agreements duly executed by the Seller or the Selling Subsidiary;

(j) An executed copy of the Parallel Purchase Commitment duly executed by the Seller, CNAI and each Bank (as defined therein) thereunder;

(k) An executed copy of the fee letter agreement dated the date hereof between the Seller and the Agent;

(l) Favorable opinions of (i) senior corporate counsel to the Seller, substantially in the form of Exhibit F-1 hereto, (ii) senior corporate counsel to the Selling Subsidiary, substantially in the form of Exhibit F-2 hereto, and (iii) Wisconsin counsel to the Selling Subsidiary, substantially in the form of Exhibit F-3 hereto, and, in the case of the opinions referred to in clauses (i), (ii) and (iii) above, as to such other matters as the Agent may reasonably request; and

(m) A favorable opinion of counsel for the Agent, as the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to All Purchases and Reinvestments. Each Purchase (including the initial Purchase after the Restatement Effective Date) hereunder and the right of the Collection Agent to reinvest in Pool Receivables those Collections attributable to an Eligible Asset pursuant to Section 2.05 or 2.06 shall be subject to the further conditions precedent that:

(a) With respect to any such Purchase, on or prior to the date of such Purchase, the Collection Agent shall have delivered to the Agent, in form and substance satisfactory to the Agent, a completed Seller Report, dated within 35 days prior to the date of such Purchase, together with a listing by Obligor of all Pool Receivables and such additional information as may be reasonably requested by the Agent;

(b) On the date of such Purchase or reinvestment the following statements shall be true (and the Seller by accepting proceeds of such Purchase or by receiving the proceeds of such reinvestment shall be deemed to have certified on the date of such purchase or reinvestment that):

(i) The representations and warranties contained in Section 4.01

hereof and contained in each Loan Document are correct on and as of such date as though made on and as of such date before and after giving effect to such Purchase or reinvestment and to the application of proceeds therefrom other than representations or warranties that, by their terms, refer to a date other than the date of such Purchase,

(ii) No event has occurred and is continuing, or would result from such Purchase or reinvestment or from the application of proceeds therefrom, which constitutes an Event of Investment Ineligibility or would constitute an Event of Investment Ineligibility but for the requirement that notice be given or time elapse or both,

(iii) The Agent shall not have delivered to the Seller a notice that no Investor shall not make any further Purchases hereunder and/or that the Collection Agent shall not reinvest in any Pool Receivables on behalf of the Owner of an Eligible Asset, and

(iv) On such date, the fee agreement noted in Section 2.10 of this Agreement shall be effective; and

(c) The Agent shall have received such other approvals, opinions or documents as the Agent may reasonably request.

SECTION 3.04. Conditions Precedent to Purchases and Reinvestments by Ciesco. Each Purchase (including the initial Purchase after the Restatement Effective Date) hereunder by Ciesco and the right of the Collection Agent, pursuant to Section 2.05 or 2.06, to reinvest in Pool Receivables those Collections attributable to an Eligible Asset owned by Ciesco shall be subject to the further condition precedent that on such date, all of the Seller's long-term public senior debt securities, if rated, are rated at least BBB- by S&P and Baa3 by Moody's or, if not rated, such securities are deemed to merit a BBB rating in the sole discretion of the Agent.

SECTION 3.05. Conditions Precedent to Purchases and Reinvestments by CRC. Each Purchase (including the initial Purchase after the Restatement Effective Date) hereunder by CRC and the right of the Collection Agent, pursuant to Section 2.05 or 2.06, to reinvest in Pool Receivables those Collections attributable to an Eligible Asset owned by CRC shall be subject to the further condition precedent that on such date, all of the Seller's long-term public senior debt securities, if rated, are rated at least BB- (but lower than BBB-) by S&P and Ba3 (but lower than Baa3) by Moody's or, if not rated, such securities are deemed to merit at least a BB (but lower than a BBB) rating in the sole discretion of the Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

(a) Each of the Seller and each Selling Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to so qualify would not have a material adverse effect on the Seller or such Selling Subsidiary. The Seller owns all of the issued and outstanding shares eligible to vote of the capital stock of each Selling Subsidiary.

(b) The execution, delivery and performance by the Seller of this Agreement, each Selling Subsidiary Letter and all other instruments and documents to be delivered hereunder, the transactions contemplated hereby and thereby, and the Seller's use of the proceeds of Purchases, and the execution, delivery and performance by each Selling Subsidiary of the Selling Subsidiary Letter to which it is a party and all other instruments and documents to be delivered by such entity hereunder and thereunder, and the transactions contemplated hereby and thereby, are within such entity's corporate or other powers, have been duly authorized by all necessary corporate or other action, do not contravene (i) such entity's charter or by-laws or other constituent documents, as applicable, or (ii) law or any contractual restriction binding on or affecting such entity and do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of such entity's material properties, other than as a result of the transactions contemplated by this Agreement and each Selling Subsidiary Letter; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Seller of this Agreement, each Selling Subsidiary Letter to which it is a party or any other document or instrument to be delivered by it hereunder, or for the due execution, delivery and performance by each Selling Subsidiary of the Selling Subsidiary Letter to which it is a party or any other document or instrument to be delivered by it hereunder except for the filing of the UCC Financing Statements referred to in Article III or paragraph 4 of each Selling Subsidiary

Letter, all of which, at the time required in Article III or paragraph 4 of each Selling Subsidiary Letter, as the case may be, shall have been duly made and shall be in full force and effect.

(d) This Agreement is, and the Certificate and each Selling Subsidiary Letter when delivered hereunder will be, the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, and each Selling Subsidiary Letter when delivered hereunder by each Selling Subsidiary party thereto will be the legal, valid and binding obligation of such Selling Subsidiary enforceable against such Selling Subsidiary in accordance with its terms, in each case, except to the extent that the enforceability thereof is limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles (regardless of whether enforcement is sought in equity or at law).

(e) (i) The Consolidated balance sheet of the Seller and its Subsidiaries as at December 31, 1998, and the related Consolidated statement of income and cash flows of the Seller and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Ernst & Young, independent public accountants, copies of which have been furnished to the Agent, fairly present, the Consolidated financial condition of the Seller and its Subsidiaries as at such dates and the Consolidated results of the operations of the Seller and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis, and (ii) since December 31, 1998, there has been no material adverse change in any such condition or operations.

(f) There is no pending or overtly threatened action, suit, investigation, litigation or proceeding against or affecting the Seller or any of its Subsidiaries, or the property of the Seller or of any of its Subsidiaries, in any court, or before any arbitrator of any kind, or before or by any governmental body, which, taking into account its probability of success, may materially adversely affect the financial condition of the Seller or the Seller and its Consolidated Subsidiaries taken as a whole or materially adversely affect the ability of the Seller to perform its obligations under this Agreement or any Selling Subsidiary Letter or of any Selling Subsidiary to perform its obligations under the Selling Subsidiary Letter to which it is a party; neither the Seller nor any of its Subsidiaries is in default with respect to any order of any court, arbitrator or governmental body except for defaults with respect to orders of governmental agencies which defaults are not material to the business or operations of the Seller or the Seller and its Subsidiaries taken as a whole.

(g) No proceeds of any Purchase or reinvestment will be used by the Seller to acquire any equity security (other than the Common Stock of the Seller to the extent permitted under the Credit Agreement) of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) Each Pool Receivable is (i) together with the Contract related thereto owned by the Seller free and clear of any Adverse Claim except as provided for herein and (ii) an Eligible Receivable; upon each Purchase or reinvestment, the Owner making such Purchase or reinvestment will acquire a valid and perfected first priority undivided percentage ownership interest to the extent of the pertinent Eligible Asset in each Pool Receivable then existing or thereafter arising and in the Related Security and Collections with respect thereto free and clear of any Adverse Claim except as provided hereunder; and no effective financing statement (other than the financing statements filed pursuant to the Original Agreement) or other instrument similar in effect covering any Contract or any Pool Receivable or the Related Security or Collections with respect thereto is on file in any recording office except such as may be filed in favor of CNAI, as Agent, in accordance with this Agreement.

(i) Each Seller Report (if prepared by the Seller or any Selling Subsidiary, or to the extent that information contained therein is supplied by the Seller or any Selling Subsidiary), information, exhibit, financial statement, document, book, record or report furnished at any time by the Seller or any Selling Subsidiary to the Agent or any Owner in connection with this Agreement or any Selling Subsidiary Letter is accurate in all material respects as of its date or (except as otherwise disclosed to the Agent or such Owner, as the case may be, at such time) as of the date so furnished, and no such document contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not materially misleading.

(j) The chief executive office of the Seller is located at the address of the Seller set forth under its name on the signature pages hereof and the chief executive office of each Selling Subsidiary and the chief place of business and the offices where each of the Seller and each Selling Subsidiary keeps all its books, records and documents evidencing Pool Receivables or the related Contracts are located at the address specified in Schedule IV hereto as such Schedule IV may be amended from time to time (or at such other locations, notified to the Agent in accordance with Section 5.01(f), in jurisdictions where all action required by Section 6.05 has been taken and completed).

(k) The names and addresses of all the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts of the Seller and each Selling Subsidiary at such Lock-Box Banks, are specified in Schedule I hereto as such Schedule I may be amended from time to time (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts as have been notified to the Agent in accordance with Section 5.03(d)).

(l) Neither the Seller nor any Affiliate of the Seller has any direct or indirect

ownership or other financial interest in the Investor, the Agent or any "Original Bank" (as such term is defined in the Parallel Purchase Commitment).

(m) Each purchase of an Eligible Asset hereunder, and each reinvestment of Collections in Pool Receivables made hereunder, will constitute (i) a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended, and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended.

(n) With respect to each Pool Receivable originally owed to any Selling Subsidiary, the Seller has acquired such Pool Receivable pursuant to a Selling Subsidiary Letter and paid or will pay to such Selling Subsidiary in cash (by book entry or otherwise), no later than 30 days after the end of the calendar quarter during which such Pool Receivable was transferred to the Seller pursuant to such Selling Subsidiary Letter, an amount equal to at least the fair market value of such Pool Receivable which could reasonably be expected to result from arms-length negotiations between unaffiliated parties. Each such transfer was not made for or on account of an antecedent debt owed by such Selling Subsidiary to the Seller and no such transfer was made by the Selling Subsidiary (i) with the intent to hinder, delay or defraud its creditors, (ii) for less than reasonably equivalent value, (iii) while the Selling Subsidiary was, or which rendered the Selling Subsidiary, insolvent, (iv) as a result of which the Selling Subsidiary was left with unreasonably small capital, or (v) as a result of which the Selling Subsidiary incurred debts beyond its ability to pay such debts as they matured.

ARTICLE V

GENERAL COVENANTS OF THE SELLER

SECTION 5.01. Affirmative Covenants of the Seller. Until the later of the Facility Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will, unless the Agent shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each Selling Subsidiary to comply, in all material respects with all applicable laws, rules, regulations and orders with respect to it, its business and properties and all Pool Receivables and related Contracts, Related Security and Collections with respect thereto.

(b) Preservation of Corporate Existence. Preserve and maintain, and cause

each Selling Subsidiary to preserve and maintain, its corporate (or, in the case of any Selling Subsidiary, if applicable, other) existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign organization in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would materially adversely affect the interests of the Owners or the Agent hereunder or in the Pool Receivables and the Related Security, or the ability of the Seller or the Collection Agent to perform their respective obligations hereunder or the ability of the Seller to perform its obligations under the Contracts or any Selling Subsidiary Letter or the ability of any Selling Subsidiary to perform its obligations under the Selling Subsidiary Letter to which it is a party.

(c) Audits. At any time and from time to time during regular business hours and upon reasonable prior notice, permit, and cause each Selling Subsidiary to permit, the Agent, or its agents or representatives, (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Seller or such Selling Subsidiary relating to Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Seller or such Selling Subsidiary for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Pool Receivables and the Related Security or the Seller's or such Selling Subsidiary's performance hereunder or under the Contracts with any of the officers or employees of the Seller or such Selling Subsidiary having knowledge of such matters.

(d) Keeping of Records and Books of Account. Maintain and implement, or cause each Selling Subsidiary to maintain and implement, administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Pool Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Pool Receivables (including, without limitation, records adequate to permit the daily identification of each new Pool Receivable and all Collections of and adjustments to each existing Pool Receivable).

(e) Performance and Compliance with Receivables and Contracts. At its expense, timely and fully (i) perform and comply, and cause each Selling Subsidiary to timely and fully perform and comply, with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables and, (ii) as beneficiary of any Related Security, enforce, and cause each Selling Subsidiary to enforce, such Related Security as reasonably requested by the Agent.

(f) Location of Records. Keep, and cause each Selling Subsidiary to keep, its chief place of business and chief executive office, and the offices where it keeps its records concerning the Pool Receivables and all Contracts related thereto (and all original documents relating thereto), at the address(es) of the Seller or such Selling Subsidiary referred to in Section 4.01(j) or, upon 30 days' prior written notice to the Agent, at such other locations in a jurisdiction where all action required by Section 6.05 shall have been taken and completed.

(g) Credit and Collection Policies. Comply, and cause each Selling Subsidiary to comply, in all material respects with the Credit and Collection Policy in regard to each Pool Receivable and the related Contract.

(h) Collections. Instruct, and cause each Selling Subsidiary to instruct, substantially all Obligors to remit all Collections directly to a Lock-Box Account and cause all Collections received by the Seller or such Selling Subsidiary to be deposited directly to a Lock-Box Account.

(i) Deposits to Lock-Box Accounts. Upon the request of the Agent, the Seller shall instruct, and shall cause each Selling Subsidiary to instruct, each Person that is not an Obligor to stop making deposits to Lock-Box Accounts.

(j) Purchase of Receivables from Selling Subsidiaries. With respect to each Pool Receivable originally owed to any Selling Subsidiary, no later than 30 days after the end of the calendar quarter during which such Pool Receivable was transferred to the Seller pursuant to a Selling Subsidiary Letter, pay to such Selling Subsidiary in cash (by book entries or otherwise) an amount at least equal to the fair market value of such Pool Receivable which could reasonably be expected to result from arms-length negotiations between unaffiliated parties.

(k) Ownership of Selling Subsidiaries. Except as contemplated by Section 5.03(f), continue to be the legal and beneficial owner of all the issued and outstanding shares of the capital stock or other equity ownership interests of each of the Selling Subsidiaries.

(l) Additional Selling Subsidiaries. If the Seller elects to include Receivables purchased from any Subsidiary in the Receivables Pool, if the Agent consents in writing to such election, cause such Subsidiary to become a Selling Subsidiary by executing, together with the Seller, a Selling Subsidiary Letter, together with the documents of the kinds referred to in subsections (c), (d), (e), (f), (g), (h), (i) and (l) of Section 3.02, in each case related to such Subsidiary and such Selling Subsidiary Letter, and then

delivering such Selling Subsidiary Letter and documents to the Agent prior to any such sale of Receivables to be included in the Receivables Pool and to take all actions required by paragraph 4 of the Selling Subsidiary Letter in order to perfect and protect the assignment and security interest granted thereunder or to enable the Agent to exercise and enforce its rights and remedies under such Selling Subsidiary Letter.

SECTION 5.02. Reporting Requirements of the Seller. Until the later of the Facility Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will, unless the Agent shall otherwise consent in writing, furnish to the Agent:

(a) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Seller, a Consolidated balance sheet of the Seller and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flow of the Seller and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail, duly certified (subject to year-end audit adjustments) by a Responsible Officer of the Seller as having been prepared in accordance with GAAP, it being agreed that delivery of the Seller's Quarterly Report on Form 10-Q will satisfy this requirement, together with (i) a certificate of said officer stating that, to his knowledge after reasonable investigation, no Event of Investment Ineligibility has occurred and is continuing or, if an Event of Investment Ineligibility has occurred and is continuing, a statement as to the nature thereof and the action that the Seller has taken and proposes to take with respect thereto and (ii) a certificate of said officer stating the Interest Coverage Ratio as of the end of such quarter;

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Seller, a copy of the annual report for such year for the Seller and its Subsidiaries, containing a Consolidated balance sheet of the Seller and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Seller and its Subsidiaries for such fiscal year, in each case accompanied by an opinion without qualification of independent public accountants of recognized standing acceptable to the Agent, it being agreed that delivery of the Seller's Annual Report on Form 10-K will satisfy this requirement, together with (i) a certificate of such accounting firm to the Agent stating that in the course of the regular audit of the business of the Seller and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that an Event of Investment Ineligibility has occurred insofar as such Event of Investment Ineligibility relates to accounting matters and is continuing, or if an Event of Investment Ineligibility has occurred and is continuing, a statement as to the nature thereof, (ii) a certificate of a Responsible Officer of the Seller stating the Interest

Coverage Ratio as of the end of such fiscal year and (iii) a certificate of a Responsible Officer of the Seller stating that, to his knowledge after reasonable investigation, no Event of Investment Ineligibility has occurred and is continuing or, if a Event of Investment Ineligibility has occurred and is continuing, a statement as to the nature thereof and the action that the Seller has taken and proposes to take with respect thereto;

(c) promptly after the sending or filing thereof, copies of all reports which the Seller sends to any of its securityholders, and copies of all reports and registration statements which the Seller or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange;

(d) promptly after the filing or receiving thereof, copies of all reports and notices relating to the Seller and its significant domestic subsidiaries with respect to any Reportable Event defined in Article IV of ERISA which the Seller or any such subsidiary files under ERISA with the Internal Revenue Service or the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or which the Seller or any subsidiary receives from such corporation;

(e) as soon as possible and in any event within five days after the occurrence of each Event of Investment Ineligibility or each event which, with the giving of notice or lapse of time or both, would constitute an Event of Investment Ineligibility, the statement of the chief accounting officer, treasurer or assistant treasurer of the Seller setting forth details of such Event of Investment Ineligibility or event and the action which the Seller proposes to take with respect thereto; and

(f) promptly, from time to time, such other information, documents, records or reports respecting the Receivables or the conditions or operations, financial or otherwise, of the Seller, or any Subsidiary, as the Agent may from time to time request in order to protect any Owner's or the Agent's interests under or contemplated by this Agreement.

SECTION 5.03. Negative Covenants of the Seller. Until the later of the Facility Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will not, without the written consent of the Agent:

(a) Sales, Liens, Etc. Except as otherwise provided herein, or pursuant to the Parallel Purchase Commitment, sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to or create or suffer to exist any Adverse Claim, or permit any Selling Subsidiary to do any of the same, upon or with respect to, the Seller's undivided interest in any Pool Receivable or Related Security or Collections in respect thereof, or upon or with respect to any related Contract, or upon or with respect to any lock-box account to which any Collections of any Pool Receivable

are sent, or assign any right to receive income in respect thereof.

(b) Extension or Amendment of Receivables. Except as otherwise permitted in Section 6.02(a), extend, amend or otherwise modify, or permit any Selling Subsidiary to extend, amend or otherwise modify, the terms of any Pool Receivable, or amend, modify or waive, or permit any Selling Subsidiary to amend, modify or waive, any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy. Make, or permit any Selling Subsidiary to make, any change in the character of its business or in the Credit and Collection Policy, which change would, in either case, materially impair the collectibility of any Pool Receivable.

(d) Change in Payment Instructions to Obligors. Add or terminate, or permit any Selling Subsidiary to add or terminate, any bank as a Lock-Box Bank from those listed in Schedule I hereto or make any change in its instructions to Obligors regarding payments to be made to the Seller or any Selling Subsidiary or payments to be made to any Lock-Box Bank, unless the Agent shall have received notice of such addition, termination or change and executed copies of Lock-Box Agreements with each new Lock-Box Bank.

(e) Change in Corporate Name, Etc. Make, or permit any Selling Subsidiary to make, any change to its name or structure, or use any tradenames, fictitious names, assumed names or "doing business as" names (other than, in the case of Plast-O-Meric, Inc., Adchem and Wilflex, Inc.), unless, in the case of such name change or use and prior to the effective date thereof, the Seller or such Selling Subsidiary delivers to the Agent such financing statements or amendments to financing statements (Form UCC-1 and UCC-3) executed by the Seller or such Selling Subsidiary, as applicable, which the Agent may request to reflect such name change or use, together with such other documents and instruments that the Agent may reasonably request in connection therewith.

(f) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that (i) any Subsidiary of the Seller (other than a Selling Subsidiary) may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Seller, (ii) any Selling Subsidiary may merge with any other Person so long as the Selling Subsidiary is the surviving entity, and (iii) any Subsidiary of the Seller may merge into or dispose of assets to the Seller and the Seller may merge with any other Person so long as the Seller is the surviving

corporation, provided, in each case, that no "Default" as defined in the Credit Agreement, and no Event of Investment Ineligibility or event which would, with notice or the lapse of time or both, constitute an Event of Investment Ineligibility shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

ARTICLE VI

ADMINISTRATION AND COLLECTION

SECTION 6.01. Designation of Collection Agent. The servicing, administering and collection of the Pool Receivables shall be conducted by such Person (the "Collection Agent") so designated from time to time in accordance with this Section 6.01. Until the Agent gives three Business Days' notice to the Seller of a designation of a new Collection Agent, the Seller is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. The Agent may at any time designate as Collection Agent any Person (including itself) to succeed the Seller or any successor Collection Agent if the Agent shall determine in its reasonable discretion that such action is necessary to protect the interest of any Owner in the Receivables, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Collection Agent pursuant to the terms hereof. The Collection Agent may, with the prior consent of the Agent, subcontract with any other Person for servicing, administering or collecting the Pool Receivables, provided that the Collection Agent shall remain liable for the performance of the duties and obligations of the Collection Agent pursuant to the terms hereof.

SECTION 6.02. Duties of Collection Agent. (a) The Collection Agent shall take or cause to be taken all such actions as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy, including, without limitation, the billing of Pool Receivables as soon as possible under the Contracts related thereto, the preparation and mailing of collection letters to any Obligor whose payment is past due, the investigation and resolution of customer inquiries and complaints, and the employment of one or more agents. Each of the Seller, each Owner and the Agent hereby appoints as its agent the Collection Agent, from time to time designated pursuant to Section 6.01, to enforce its respective rights and interests in and under the Pool Receivables, the Related Security and the Contracts. The Collection Agent shall set aside and hold in trust for the account of the Seller and each Owner their respective allocable shares of the Collections of Pool Receivables in accordance with Sections 2.05 and 2.06 but shall not be required (unless otherwise requested by the Agent) to segregate the funds constituting such portion of such Collections prior to the remittance thereof in accordance with said Sections. If instructed by the Agent, the Collection Agent shall segregate and deposit with a bank (which may be Citibank) designated by the Agent such allocable share of Collections of Pool

Receivables, set aside for each Owner, on the first Business Day following receipt by the Collection Agent of such Collections. Provided no Event of Investment Ineligibility shall have occurred and be continuing, the Seller, while it is Collection Agent, may, in accordance with the Credit and Collection Policy, extend the maturity or adjust the Outstanding Balance of any Defaulted Receivable as the Seller may determine to be appropriate to maximize Collections thereof. The Seller shall, and shall cause each Selling Subsidiary to, deliver to the Collection Agent, and the Collection Agent shall hold in trust for the Seller and each Owner in accordance with their respective interests, all documents, instruments and records (including, without limitation, computer tapes or disks) which evidence or relate to Pool Receivables.

(b) The Collection Agent shall as soon as practicable following receipt turn over to the Seller (i) that portion of Collections of Pool Receivables representing its undivided interest therein, less, in the event the Seller is not the Collection Agent, all reasonable and appropriate out-of-pocket costs and expenses of such Collection Agent of servicing, collecting and administering the Pool Receivables to the extent not covered by the Collection Agent Fee received by it and (ii) the Collections of any Receivable which is not a Pool Receivable. The Collection Agent, if other than the Seller, shall as soon as practicable upon demand deliver to the Seller all documents, instruments and records in its possession which evidence or relate to Receivables of the Seller other than Pool Receivables, and copies of documents, instruments and records in its possession which evidence or relate to Pool Receivables. The Collection Agent's authorization under this Agreement shall terminate, after the Facility Termination Date, upon receipt by each Owner of an Eligible Asset of an amount equal to the Capital plus accrued Yield for such Eligible Asset plus all other amounts owed to the Agent, each Owner and the Seller and (unless otherwise agreed by the Agent and the Collection Agent) the Collection Agent under this Agreement.

SECTION 6.03. Rights of the Agent. (a) The Agent may notify, at any time upon three Business Days' notice to the Seller if the Agent shall determine in its sole discretion that such action is necessary to protect the interest of any Owner in the Receivables, or at any time after the designation of a Collection Agent other than the Seller and at the Seller's expense, the Obligors of Pool Receivables, or any of them, of the ownership of Eligible Assets by the Owners.

(b) At any time following the designation of a Collection Agent other than the Seller pursuant to Section 6.01:

(i) The Agent may direct the Obligors of Pool Receivables, or any of them, that payment of all amounts payable under any Pool Receivable be made directly to the Agent or its designee.

(ii) The Seller shall, at the Agent's request and at the Seller's expense, give

notice, or cause each Selling Subsidiary to give notice, of such ownership to each said Obligor and direct that payments be made directly to the Agent or its designee.

(iii) The Seller shall, and shall cause each Selling Subsidiary to, at the Agent's request, (A) assemble all of the documents, instruments and other records (including, without limitation, computer tapes and disks) which evidence the Pool Receivables, and the related Contracts and Related Security, or which are otherwise necessary or desirable to collect such Pool Receivables, and shall make the same available to the Agent at a place selected by the Agent or its designee and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Pool Receivables in a manner acceptable to the Agent and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(iv) Each of the Seller and each Investor hereby authorizes the Agent to take any and all steps in the Seller's or any Selling Subsidiary's name and on behalf of the Seller or any Selling Subsidiary and the Owners necessary or desirable, in the determination of the Agent, to collect all amounts due under any and all Pool Receivables, including, without limitation, endorsing the Seller's or any Selling Subsidiary's name on checks and other instruments representing Collections and enforcing such Pool Receivables and the related Contracts.

SECTION 6.04. Responsibilities of the Seller. Anything herein to the contrary notwithstanding:

(a) The Seller shall, and shall cause each Selling Subsidiary to, perform all of its obligations under the Contracts related to the Pool Receivables to the same extent as if Eligible Assets had not been sold hereunder and the exercise by the Agent of its rights hereunder shall not relieve the Seller or any Selling Subsidiary from such obligations or its obligations with respect to Pool Receivables; and

(b) Neither the Agent nor the Owners shall have any obligation or liability with respect to any Pool Receivables or related Contracts, nor shall any of them be obligated to perform any of the obligations of the Seller thereunder or any of the obligations of any Selling Subsidiary thereunder.

SECTION 6.05. Further Action Evidencing Purchases. The Seller agrees that from time to time, at its expense, it will, and will cause each Selling Subsidiary to, promptly execute and deliver all further instruments and documents, and take all further action that the Agent may reasonably request in order to perfect, protect or more fully evidence the Eligible Assets purchased by the Owners hereunder, or to enable any of them or the Agent to exercise

and enforce any of their respective rights and remedies hereunder or under each Selling Subsidiary Letter. Without limiting the generality of the foregoing, the Seller will, and will cause each Selling Subsidiary to, upon the request of the Agent: (i) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate in accordance with law; (ii) if the Agent shall determine in its sole discretion that such action is necessary to protect its interest in the Receivables, mark conspicuously each invoice evidencing each Pool Receivable and the related Contract with a legend, acceptable to the Agent, evidencing that such Eligible Assets have been sold in accordance with this Agreement; and (iii) mark its master data processing records evidencing such Pool Receivables and related Contracts with such legend. The Seller hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Pool Receivables and the Related Security now existing or hereafter arising without the signature of the Seller where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering all or any of the Contracts, or Pool Receivables and the Related Security and Collections with respect thereto shall be sufficient as a financing statement where permitted by law. If the Seller fails to perform any of its agreements or obligations under this Agreement, the Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Agent incurred in connection therewith shall be payable by the Seller as provided in Section 10.01.

ARTICLE VII

EVENTS OF INVESTMENT INELIGIBILITY AND RECEIVABLES INELIGIBILITY

SECTION 7.01. Events of Investment Ineligibility. If any of the following events (except for any such event as it applies to any Selling Subsidiary (as to which Section 7.02 shall govern)) ("Events of Investment Ineligibility") shall occur and be continuing:

(a) (i) The Collection Agent (if other than the Agent or Citibank) (i) shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (ii) of this Section 7.01(a)) and such failure shall remain unremedied for three Business Days or (ii) the Seller or the Collection Agent (if other than the Agent or Citibank) shall fail to make any payment or deposit to be made by it hereunder or under the letter agreement described in Section 2.10(a) when due; or

(b) The Seller shall fail to perform or observe any term, covenant or agreement contained in Section 5.03(e) or Section 6.03(a); or

(c) Any representation or warranty made or deemed to be made by the Seller (or any of its officers) under or in connection with this Agreement, the Loan Documents or any Seller Report or other information or report delivered pursuant hereto shall prove to have been false or incorrect in any material respect when made; or

(d) The Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for seven Business Days after written notice thereof shall have been given by the Agent to the Seller; or

(e) The Seller shall fail to pay any Debt in excess of $10,000,000 or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) Any Purchase or any reinvestment pursuant to Section 2.05 shall for any reason, except to the extent permitted by the terms hereof, cease to create, or any Eligible Asset shall for any reason cease to be, a valid and perfected first priority undivided percentage ownership interest to the extent of the pertinent Eligible Asset in each applicable Pool Receivable and the Related Security and Collections with respect thereto; or

(g) (i) The Seller shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, if instituted against the Seller, either such proceeding shall not be stayed or dismissed for 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee,

custodian or other similar official for it or for any substantial part of its property) shall occur; or (ii) the Seller shall take any corporate action to authorize any of the actions set forth in clause (i) above in this subsection (g); or

(h) The Default Ratio as at the last day of any calendar month shall exceed 6% or the Delinquency Ratio as at the last day of any calendar month shall exceed 4% and a repurchase, if required pursuant to Section 10.03, is not made when due; or

(i) There shall have been any material adverse change in the financial condition or operations of the Seller since December 31, 1998, or there shall have occurred any event which materially adversely affects the collectibility of the Pool Receivables, or there shall have occurred any other event which materially adversely affects the ability of the Seller to collect Pool Receivables or the ability of the Seller to perform hereunder; or

(j) Any "Event of Default" shall have occurred and be continuing under the Credit Agreement; or

(k) The aggregate undivided percentage interest for all Eligible Assets and the "Eligible Assets" under the Parallel Purchase Commitment shall exceed 100% for five consecutive days; or

(l) The Seller shall have failed to deliver to the Agent its written consent to a proposed modification to the definition of Dilution Percentage in accordance with the terms of such definition set forth in Section 1.01 within 5 days after receipt by the Seller of written notice from the Agent setting forth such proposed modification, together with written evidence of the approval of S&P or Moody's or both for such modification;

then, and in any such event, the Agent may, by notice to the Seller, declare the Facility Termination Date to have occurred, whereupon the Facility Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all without any further actions on its part, which are hereby expressly waived by the Seller; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Seller under the Federal Bankruptcy Code or the occurrence of any event described above in subsection (g), the Facility Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Seller. Upon any such termination of the Facility, the Agent and the Owners shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of the applicable jurisdiction and other applicable laws, which rights shall be cumulative. Without limiting the foregoing or the general applicability of Article IX hereof, any Owner may elect to assign pursuant to Article IX hereof any Eligible Asset owned by such Owner to

an Assignee following the occurrence of any Event of Investment Ineligibility.

SECTION 7.02. Events of Receivables Ineligibility. If any of the following events ("Events of Receivables Ineligibility") shall occur and be continuing:

(a) Any representation or warranty made or deemed to be made by the Seller (or any of its officers) under or in connection with this Agreement or any Selling Subsidiary Letter, with respect to any Selling Subsidiary shall prove to have been false or incorrect in any material respect when made; or

(b) The Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any Selling Subsidiary Letter on its part to be performed or observed with respect to any Selling Subsidiary, or any Selling Subsidiary shall fail to perform or observe any term, covenant or agreement contained in any Selling Subsidiary Letter on its part to be performed or observed, and any such failure shall remain unremedied for seven Business Days after written notice thereof shall have been given by the Agent to the Seller; or

(c) Any Selling Subsidiary shall fail to pay any Debt in excess of $10,000,000 or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(d) Any sale of any Receivables by any Selling Subsidiary pursuant to paragraph 1 of any Selling Subsidiary Letter shall for any reason cease to create a valid and perfected first priority 100% ownership interest in such Receivables in favor of the Seller; or

(e) (i) Any Selling Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Selling Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment,

protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, if instituted against any Selling Subsidiary, either such proceeding shall not be stayed or dismissed for 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property) shall occur; or (ii) any Selling Subsidiary shall take any corporate action to authorize any of the actions set forth in clause (i) above in this subsection (e); or

(f) There shall have occurred any event which materially adversely affects the ability of the Seller to perform under any Selling Subsidiary Letter with respect to any Selling Subsidiary or the ability of any Selling Subsidiary to perform its obligations under any Selling Subsidiary Letter to which it is a party;

then, and in any such event, the Agent may, by notice to the Seller, declare all Pool Receivables originally owed to such Selling Subsidiary as not being Eligible Receivables, whereupon all such Pool Receivables then existing and thereafter arising shall forthwith become and be Pool Receivables that are not Eligible Receivables.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each Owner hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Agent under or in connection with this Agreement or any Selling Subsidiary Letter (including, without limitation, the Agent's servicing, administering or collecting Pool Receivables as Collection Agent pursuant to Section 6.01), except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Agent:

(i) may consult with legal counsel (including counsel for the Seller), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(ii) makes no warranty or representation to any Owner and shall not be responsible to any Owner for any statements, warranties or representations made in or in connection with this Agreement or any Selling Subsidiary Letter;

(iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any Selling Subsidiary Letter on the part of the Seller or any Selling Subsidiary or to inspect the property (including the books and records) of the Seller or any Selling Subsidiary;

(iv) shall not be responsible to any Owner for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Certificate or any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto; and

(v) shall incur no liability under or in respect of this Agreement or any Selling Subsidiary Letter by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. CNAI and Affiliates. With respect to any Eligible Asset owned by CNAI, CNAI shall have the same rights and powers under this Agreement as would any Owner and may exercise the same as though it were not the Agent. CNAI and its Affiliates may generally engage in any kind of business with the Seller, any Selling Subsidiary or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of the Seller, any Selling Subsidiary or any Obligor or any of their respective Affiliates, all as if CNAI were not the Agent and without any duty to account therefor to the Owners.

SECTION 8.04. Investors' Purchase Decision. Each Investor acknowledges that it has, independently and without reliance upon the Agent, any of its Affiliates or any other Owner and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and, if it so determines, to purchase an undivided ownership interest in Pool Receivables hereunder.

ARTICLE IX

ASSIGNMENT

SECTION 9.01. Assignment. (a) Each Investor may assign to any other Assignee, and any such Assignee may assign to any other Assignee, any Eligible Asset. Upon any such assignment, (i) the Assignee shall become the Owner of such Eligible Asset for all purposes of this Agreement and (ii) the Owner assignor thereof shall relinquish its rights with respect to such Eligible Asset for all purposes of this Agreement. Such assignments shall be upon such terms and conditions as the assignor and the Assignee of such Eligible Asset may mutually agree, the parties thereto shall deliver to the Agent an Assignment, duly executed by such parties, and such assignor shall promptly execute and deliver all further instruments and documents, and take all further action, that the Assignee may reasonably request in order to perfect, protect or more fully evidence the Assignee's right, title and interest in and to such Eligible Asset, and to enable the Assignee to exercise or enforce any rights hereunder or under the Certificate. The Agent shall provide notice to the Seller of any assignment of an Eligible Asset hereunder.

(b) By executing and delivering an Assignment, the Owner assignor thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment, such assigning Owner makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any Selling Subsidiary Letter or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Certificate, each Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto; (ii) such assigning Owner makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Selling Subsidiary or the performance or observance by the Seller or any Selling Subsidiary of any of its obligations under, or the perfection or priority of any ownership or security interest created or purported to be created under or in connection with, this Agreement, the Certificate, each Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto; (iii) such Assignee confirms that it has received a copy of this Agreement together with copies of the financial statements referred to in Section 4.01, each Selling Subsidiary Letter and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and to purchase such Eligible Asset; (iv) such Assignee will, independently and without reliance upon the Agent, any of its Affiliates, such assigning Owner or any other Owner and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or each Selling Subsidiary Letter; (v) such Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; (vi) such Assignee appoints as its agent the Collection Agent from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables, the Related Security and the related Contracts; and

(vii) such Assignee agrees that it will not institute against any Investor any proceeding of the type referred to in Section 7.01(g) so long as any commercial paper issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding.

(c) The Seller may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Agent.

SECTION 9.02. Annotation of Certificate. The Agent shall annotate the Certificate to reflect any assignments made pursuant to Section 9.01 or otherwise.

ARTICLE X

INDEMNIFICATION

SECTION 10.01. Indemnities by the Seller. Without limiting any other rights which the Agent, any Owner or any of their respective Affiliates (each an "Indemnified Party") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the use of proceeds of Purchases or the ownership of Eligible Assets or in respect of any Receivable or any Contract, excluding, however, (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or (b) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables. Without limiting or being limited by the foregoing, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party for Indemnified Amounts relating to or resulting from:

(i) the creation of an undivided percentage ownership interest in any Receivable which is not at the date of the creation of such interest an Eligible Receivable or which thereafter ceases to be an Eligible Receivable (whether pursuant to Section 7.02 or otherwise);

(ii) reliance on any representation or warranty made by the Seller (or any of its officers) under or in connection with this Agreement, any Selling Subsidiary Letter, any Seller Report or any other information or report delivered by the Seller or any Selling Subsidiary pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(iii) the failure by the Seller or any Selling Subsidiary to comply with any applicable law, rule or regulation with respect to any Pool ` Receivable or the related Contract, or the nonconformity of any Pool Receivable or the related Contract with any such applicable law, rule or regulation;

(iv) the failure to vest in the Owner of an Eligible Asset an undivided percentage ownership interest, to the extent of such Eligible Asset, in the Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim;

(v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, whether at the time of any Purchase or reinvestment or at any subsequent time;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vii) any failure of the Seller, as Collection Agent or otherwise, or any Selling Subsidiary to perform its duties or obligations hereunder or under the Selling Subsidiary Letter or to perform its duties or obligations under the Contracts;

(viii) any products liability claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract; or

(ix) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of Purchases or the ownership of Eligible Assets or in respect of any Receivable or any Contract; or

(x) the commingling of Collections of Pool Receivables at any time with other funds provided, that without in any way limiting the scope of the foregoing indemnity, such indemnity is not intended to restrict the Seller from servicing Receivables as the Collection Agent pursuant to Article VI of this Agreement.

SECTION 10.02. Additional Indemnities. Section 8.04(b) of the Credit

Agreement is incorporated in this Agreement by reference, with the same force and effect as if the same was set out in this Agreement in full; provided that references to the "Borrower" and any "Lender" therein shall mean the Seller and any Owner, respectively, and, without limitation, all references in such incorporated provision to "Indemnified Party" and "Loan Documents" shall mean and refer to Indemnified Party and Loan Documents under this Agreement, respectively; likewise, to the extent any word or phrase is defined in this Agreement, any such word or phrase appearing in the provision so incorporated by reference from the Credit Agreement shall have the meaning given to it in this Agreement; and provided further words or phrases used in such incorporated provision and not otherwise defined in this Agreement shall be also incorporated herein by reference; and provided further, that notwithstanding the foregoing, such incorporated provision shall exclude recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables. The incorporation by reference into this Agreement from the Credit Agreement is for convenience only and this Agreement and the Credit Agreement shall at all times be, and be deemed to be and treated as, separate and distinct facilities. Incorporations by reference in this Agreement from the Credit Agreement shall not be affected or impaired by any subsequent expiration or termination of the Credit Agreement, nor by any amendment thereof or waiver thereunder unless the Agent, as Agent for the Owners, shall have consented to such amendment or waiver in writing.

SECTION 10.03. Limited Recourse. On the first day (the "Determination Date") on which (a) the Default Ratio or the Delinquency Ratio exceeds the percentage therefor set forth in Section 7.01(h) and (b) such percentage would not be exceeded if such ratio were calculated by excluding from the numerator and denominator thereof all the Pool Receivables of either (i) the Obligor with the largest, (ii) the Obligors with the two largest or (iii) the Obligors with the three largest Outstanding Balances of Pool Receivables that on the Determination Date are either Defaulted Receivables or Delinquent Receivables, as the case may be (the amount of such Outstanding Balances of the minimum number of such Obligors required so that such percentage would not be exceeded being called the "Excluded Receivables", and the one, two or three Obligors owing such Excluded Receivables being the "Excluded Obligors"), then the Seller shall repurchase a portion of Eligible Assets ratably from each Owner by paying to the Agent for the benefit of the Owners on the first Business Day after the Determination Date:

(i) an amount of Capital equal to the product obtained by multiplying all Capital outstanding as of the Determination Date by a fraction the numerator of which shall be the Outstanding Balances of the Excluded Receivables and the denominator of which shall be the Outstanding Balances of all Pool Receivables, in each case as of the Determination Date, plus

(ii) all Yield accrued thereon through the date of such repurchase plus

(iii) the amount, if any, by which (A) the additional Yield which would have accrued on the portion of the Eligible Assets so repurchased during the Fixed Period (computed without regard to clause (iv) of the definition of "Fixed Period") during which such repurchase occurs if such portion of such Eligible Assets had remained outstanding in its entirety exceeds (B) the income, if any, received by the Owner by investing the proceeds of such repurchase attributable to the portion of the Eligible Assets so repurchased.

On and after the date on which such payment is made in full, each Excluded Obligor shall automatically and immediately cease to be a Designated Obligor, and the Receivables of such Obligor shall automatically and immediately be excluded from the Receivables Pool. Upon receipt of funds paid to the Agent pursuant to this Section 10.03, the Agent shall distribute such funds to the Owners ratably (i) in payment of the accrued Yield for such portion of each Eligible Asset repurchased, (ii) in reduction of the Capital of such portion of each Eligible Asset repurchased and (iii) in payment of any other amounts owed by the Seller hereunder to such Owner.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Seller therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, as Agent for the Owners, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 11.02. Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing and mailed, faxed or delivered, as to each party hereto, to its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent, and notices and communications sent by other means shall be effective when received, in each case addressed as aforesaid.

SECTION 11.03. No Waiver; Remedies. No failure on the part of the Agent, Citibank or an Owner to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein

provided are cumulative and not exclusive of any remedies provided by law.

SECTION 11.04. Restatement Effective Date; Restatement of the Original Agreement; Binding Effect. This Agreement shall become effective when the conditions precedent set forth in Section 3.02 are satisfied or waived (the date on which all such conditions precedent are satisfied or waived being the "Restatement Effective Date"). On the Restatement Effective Date, the Original Agreement and the Certificate issued thereunder shall each automatically and without further action be amended and restated to read in its entirety as set forth in this Agreement. Thereafter each reference in the Original Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Original Agreement in any Certificate or other document delivered and to be delivered in connection with the Original Agreement shall mean and be a reference to the Original Agreement as amended and restated pursuant to this Agreement and each reference to the Certificate in the Original Agreement and in any document delivered and to be delivered in connection with the Original Agreement shall mean and be a reference to the Certificate issued under this Agreement. Except as so amended and restated, the Original Agreement shall remain in full force and effect and is hereby ratified and confirmed. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Owner or the Agent under the Original Agreement, nor constitute a waiver of any provision of the Original Agreement. The Original Agreement as so amended and restated shall be binding upon and inure to the benefit of the Seller, the Agent, the Owners and their respective successors and assigns. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Facility Termination Date, as no Capital of any Eligible Asset shall be outstanding; provided, however, that rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article IV, the indemnification provisions of Article X and the provisions of Sections 11.06, 11.07 and 11.08 shall be continuing and shall survive any termination of this Agreement for a period of three years.

SECTION 11.05. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE INTERESTS OF THE OWNERS IN THE RECEIVABLES, OR REMEDIES HEREUNDER, IN RESPECT THEREOF ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

SECTION 11.06. Costs, Expenses and Taxes. (a) In addition to the rights of indemnification granted to the Indemnified Parties under Article X hereof, the Seller agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification and amendment (including periodic auditing) of this Agreement, the Certificate, each Selling Subsidiary Letter and the other documents to be delivered

hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agent, each Investor, Citibank, CNAI and their respective Affiliates with respect thereto and with respect to advising the Agent, each Investor, Citibank, CNAI and their respective Affiliates as to their respective rights and remedies under this Agreement and each Selling Subsidiary Letter. The Seller further agrees to pay on demand all costs and expenses, if any (including reasonable counsel fees and expenses), of the Agent, CNAI, the Owners and their respective Affiliates, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Certificate, any Selling Subsidiary Letter and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent, CNAI, the Owners and their respective Affiliates in connection with the enforcement of rights under this Section 11.06(a). A certificate as to the amount of such costs and expenses setting forth the basis thereof in reasonable detail and submitted to the Seller shall be conclusive and binding for all purposes, absent manifest error.

(b) In addition, the Seller shall pay any and all commissions of placement agents and commercial paper dealers in respect of commercial paper notes of each Investor issued to fund the Purchase or maintenance of any Eligible Asset and any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, each Selling Subsidiary Letter or the other documents to be delivered hereunder, and agrees to indemnify the Agent, each Investor, Citibank, CNAI and their respective Affiliates against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(c) In addition, the Seller shall pay on demand all other costs, expenses and taxes (excluding income taxes) incurred by each Investor or any general or limited partner of each Investor ("Other Costs"), including, without limitation, the cost of auditing each Investor's books by certified public accountants, the cost of rating each Investor's commercial paper by independent financial rating agencies, the taxes (excluding income taxes) resulting from each Investor's operations, and the reasonable fees and out-of-pocket expenses of counsel for each Investor or any counsel for any general or limited partner of each Investor with respect to (i) advising such Investor or such general or limited partner as to its rights and remedies under this Agreement and each Selling Subsidiary Letter, (ii) the enforcement of this Agreement, each Selling Subsidiary Letter and the other documents to be delivered hereunder, or (iii) advising such Investor or such general or limited partner as to matters relating to such Investor's operations; provided, however that, if any Investor enters into agreements for the purchase of interests in receivables from one or more other Persons ("Other Sellers"), the Seller and such Other Sellers shall each be liable for such Other Costs ratably in accordance with the usage under the respective facilities of such Investor to purchase receivables or interests therein from the Seller and each Other Seller; and provided further that if such Other Costs are attributable to the Seller and not attributable to any Other Seller, the Seller shall be solely liable for such Other Costs. A certificate as to the amount of such costs and expenses

setting forth the basis thereof in reasonable detail and submitted to the Seller shall be conclusive and binding for all purposes, absent manifest error.

SECTION 11.07. No Proceedings. Each of the Seller, the Agent, each Owner, each assignee of an Eligible Asset or any interest therein and each entity which enters into a commitment to purchase Eligible Assets or interests therein hereby agrees that it will not institute against any Investor any proceeding of the type referred to in clause (i) of Section 7.01(g) so long as any commercial paper issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding.

SECTION 11.08. Confidentiality. (a) Except to the extent otherwise required by applicable law, rule, regulation or judicial process, the Seller agrees to maintain the confidentiality of this Agreement and each Selling Subsidiary Letter (and all drafts thereof) in communications with third parties and otherwise; provided, however, that the Agreement and any Selling Subsidiary Letter may be disclosed to third parties to the extent such disclosure is (i) required in connection with a sale of securities of the Seller, (ii) made solely to persons who are legal counsel for the purchaser or underwriter of such securities, (iii) limited in scope to the provisions of Articles V, VII, X and, to the extent defined terms are used in Articles V, VII and X, such terms defined in Article I of this Agreement and (iv) made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent; provided further, however, that the Agreement and any Selling Subsidiary Letter may be disclosed to the Seller's legal counsel pursuant to an agreement of the type referred to in clause (iv), above; and provided further, however, that the Seller shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of the Seller.

(b) Each Owner understands that this Agreement and each Selling Subsidiary Letter is a confidential document and no Owner will disclose it to any other Person without the Agent's prior written consent other than (i) to such Owner's Affiliates and their and their Affiliates' officers, directors, employees, agents, rating agencies, counsel, auditors and advisors and then only on a confidential basis, (ii) to actual or prospective Assignees and participants, and then only if such Assignee has agreed in writing to maintain such information on a confidential basis, (iii) as required by any law, rule or regulation or judicial process or (iv) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

(c) Neither the Agent nor any Owner shall disclose any Confidential Information to any Person without the consent of the Seller, other than (i) to the Agent's or such Owner's Affiliates and their and their Affiliates' officers, directors, employees, agents, rating agencies, counsel, auditors and advisors and then only on a confidential basis, (ii) to

actual or prospective Assignees and participants, and then only if such Assignee has agreed in writing to maintain such Confidential Information on a confidential basis, (iii) as required by any law, rule or regulation or judicial process and (iv) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 11.09. Execution in Counterparts; Severability. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telefax shall be effective as delivery of a manually executed counterpart of this Agreement. In case any provision in or obligation under this Agreement should be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 11.10. Grant of a Security Interest. (a) The Seller hereby assigns and pledges to the Agent for the benefit of itself, the Owners and each other Indemnified Party from time to time, and hereby grants to the Agent for the benefit of itself, the Owners and each other Indemnified Party from time to time, a security interest in and to all of the Seller's right, title and interest in and to all of the Pool Receivables, the Related Security with respect thereto and the Collections and all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds which constitute property of the types described above in this clause (a)) (collectively the "Collateral").

(b) The assignment, pledge and security interest granted under this Section 11.10 secures the payment of all obligations of the Seller now or hereafter existing from time to time under this Agreement, any other instruments and documents furnished by the Seller pursuant hereto and otherwise in connection with this Agreement, whether for Collections received or deemed to have been received or otherwise payable by the Seller, either individually or as Collection Agent, repurchases of interests in Pool Receivables, interest, capital, yield, fees (including but not limited to any Collection Agent Fees), costs, expenses, taxes, indemnification or otherwise (all such obligations being the "Obligations").

(c) The Seller agrees that from time to time, at the expense of the Seller, the Seller will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may reasonably request, in order to perfect and protect the assignment and security interest granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Seller will execute and file such financing or continuation statements, or amendments thereto, and such

other instruments or notices, as may be necessary or reasonably desirable, or as the Agent may reasonably request, in order to perfect and preserve the assignment and security interest granted or purported to be granted hereby. The Seller hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Seller where permitted by law, and the Agent shall notify the Seller of each such filing. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(d) The Seller hereby irrevocably appoints the Agent as the Seller's attorney-in-fact, with full authority in the place and stead of the Seller and in the name of the Seller or otherwise, from time to time in the Agent's discretion following the occurrence and during the continuance of an Event of Investment Ineligibility, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of the assignment, grant and security interest granted hereunder, including, without limitation:

(i) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral,

(ii) to receive, indorse and collect any drafts or other instruments, documents and chattel paper, if any, in connection therewith, and

(iii) to file any claims or take any action or institute any proceedings which the Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Agent with respect to any of the Collateral.

(e) If the Seller fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Seller under Section 11.06.

(f) The powers conferred on the Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

(g) If any Event of Investment Ineligibility shall have occurred and be continuing:

(i) The Agent may exercise any and all rights and remedies of the Seller in respect of the Collateral.

(ii) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC in effect in the State of New York (whether or not such UCC applies to the affected Collateral).

(iii) All payments received by the Seller in respect of the Collateral shall be received in trust for the benefit of the Agent, shall (upon request by the Agent) be segregated from other funds of the Seller and shall be forthwith paid over to the Agent in the same form as so received (with any necessary indorsement).

(iv) All payments made in respect of the Collateral, and all cash proceeds in respect of any sale of, collection from, or other realization upon all or any part of the Collateral, received by the Agent may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent pursuant to Section 11.06) in whole or in part by the Agent for the Owners or the applicable Indemnified Parties against, all or any part of the Obligations in such order as the Agent shall elect. Any surplus of such payments or cash proceeds held by the Agent and remaining after payment in full of all the Obligations shall be paid over to the Seller or to whomsoever may be lawfully entitled to receive such surplus.

(h) Anything herein to the contrary notwithstanding, (i) the Seller shall remain liable under each Contract to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Agent of any of the rights hereunder shall not release the Seller from any of its duties or obligations under any Contract and (iii) neither the Agent nor any Investor nor any other Indemnified Party shall have any obligation or liability under any Contract by reason of this Section 11.10, nor shall the Agent or any Investor or any other Indemnified Party be obligated to perform any of the obligations or duties of the Seller thereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE GEON COMPANY

By:

Title:

One Geon Center
Avon Lake, Ohio 44012
(Lorain County)
Attention: Treasurer
Facsimile No. (216) 930-3727

CORPORATE RECEIVABLES CORPORATION

By: Citicorp North America, Inc.
as Attorney-in-Fact

By:

Title:

450 Mamaroneck Avenue
Harrison, New York 10528
Attention: CRC
Facsimile No. (914) 899-7890

CIESCO, L.P.

By: Citicorp North America, Inc.
as Attorney-in-Fact

By:

Title:

450 Mamaroneck Avenue
Harrison, New York 10528
Attention: Ciesco
Facsimile No. (914) 899-7890

CITICORP NORTH AMERICA, INC.,
as Agent

By:

Title:

450 Mamaroneck Avenue
Harrison, New York 10528
Attention: Global Securitization
Facsimile No. (914) 899-7890

EXHIBIT A

ASSIGNMENT

Dated as of _____ , 19___

Reference is made to the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement dated as of May 28, 1999 (the "Agreement") among The Geon Company (the "Seller"), Corporate Receivables Corporation, Ciesco, L.P. and Citicorp North America, Inc., as Agent. Terms defined in the Agreement are used herein as therein defined.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. In consideration of the payment of $_____, being the existing [aggregate] Capital of the Eligible Asset[s] referred to below, and of $_____, being the [aggregate] unpaid accrued Yield for such Eligible Asset[s], receipt of which payment is hereby acknowledged, the Assignor hereby assigns to the Agent for the account of the Assignee, and the Assignee hereby purchases from the Assignor, all of the Assignor's right, title and interest in and to the Eligible Asset[s] purchased by the undersigned in [a] Purchase[s] on _____, 19___; _____, 19___,[etc.]] under the Agreement.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the Eligible Asset[s] being assigned by it hereunder and that such Eligible Asset[s] are free and clear of any Adverse Claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement, the Certificate, each Selling Subsidiary Letter or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Selling Subsidiary or the performance or observance by the Seller or any Selling Subsidiary of any of its obligations under the Agreement, the Certificate, each Selling Subsidiary Letter or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Agreement together with copies of the financial statements referred to in Section 4.01 thereof, each Selling Subsidiary Letter and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and purchase such Eligible Asset[s]; (ii) agrees that it will, independently and without reliance upon the Agent, any of its Affiliates, the Assignor or any other Owner and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement and any Selling Subsidiary Letter; (iii)

appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) appoints as its agent the Collection Agent from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables, the Related Security and the related Contracts; and (vi) agrees that it will not institute against any Investor any proceeding of the type referred to in Section 7.01(g) so long as any commercial paper issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding.

4. Following the execution of this Assignment by the Assignor and the Assignee, it will be delivered to the Agent. The effective date of this Assignment shall be the date above specified (the "Effective Date").

5. As of the Effective Date, (i) the Assignee shall be and become the Owner of the Eligible Asset[s] referred to herein for all purposes of the Agreement and (ii) the Assignor shall relinquish its rights with respect to such Eligible Asset[s] for all purposes of the Agreement.

6. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed and delivered by their respective duly authorized officers or agents as of the date first written above.

[NAME OF ASSIGNOR]

By

Title:

[NAME OF ASSIGNEE]

By

Title:

EXHIBIT B

CERTIFICATE OF ASSIGNMENT

Dated as of _____, 1999

Reference is made to the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement dated as of May 28, 1999 (as amended, supplemented or otherwise modified from time to time, the "Agreement") among The Geon Company (the "Seller"), Corporate Receivables Corporation, Ciesco, L.P. and Citicorp North America, Inc., as Agent. Terms defined in the Agreement are used herein as therein defined.

The Seller hereby sells and assigns to the Agent for the account of the Owner thereof each Eligible Asset purchased under the Agreement.

Each Purchase of an Eligible Asset made by each Investor from the Seller, each assignment of such Eligible Asset by its Owner to an Assignee and each reduction in Capital in respect of each Eligible Asset evidenced hereby shall be endorsed by the Agent on the grid attached hereto which is part of this Certificate of Assignment. Such endorsement shall evidence the ownership of such Eligible Asset initially by each Investor and upon any assignment, if any, thereof by the Assignee thereof and the amount of Capital from time to time.

This Certificate of Assignment is made without recourse except as otherwise provided in the Agreement.

This Certificate of Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Assignment to be duly executed and delivered by its duly authorized officer as of the date first above written.

THE GEON COMPANY

By

Title:

GRID(1)

Number of Eligible Asset	Transaction(2)	Capital (Giving Effect to Transaction)	Owner (Giving Effect to Transaction)

- --------
(1) Eligible Assets will be numbered sequentially based upon date of Purchase.

(2) Transactions are Purchases, Reductions in Capital, Assignments, Divisions of Eligible Assets and Combinations of Eligible Assets.

EXHIBIT C

SELLER REPORT

EXHIBIT D

FORM OF LOCK-BOX AGREEMENT

[DATE]

[Name and Address of Lock-Box Bank]

[Name of the Company]

Ladies and Gentlemen:

[The Geon Company] [Name of Selling Subsidiary] (the "Company") hereby notifies you that the Company has transferred exclusive ownership and control of its depository [lock-box] account number [_____] maintained with you (the "Lock-Box Account") to Citicorp North America, Inc., 450 Mamaroneck Avenue, Harrison, New York 10528 (the "Agent").

The Company hereby irrevocably instructs you to make all payments to be made by you out of or in connection with the Lock-Box Account pursuant only to such written instructions as an officer of the Agent shall give you from time to time.

The Company also hereby notifies you that the Agent shall be irrevocably entitled to exercise any and all rights in respect of or in connection with the Lock-Box Account.

By its signature below, the Agent hereby instructs you initially to make all payments to be made by you out of or in connection with the Lock-Box Account pursuant to such written instructions as an officer of the Company shall give you from time to time.

Upon your receipt of further instructions from the Agent, you shall make all payments to be made by you out of or in connection with the Lock-Box Account directly to the account or accounts specified in those instructions. Those accounts may include, but need not be limited to: Citibank, N.A., account no. [_____] in the name of the Agent, at 450 Mamaroneck Avenue, Harrison, New York 10528, Attention of U.S. Securitization, for the account of the Agent.

Notwithstanding anything to the contrary in any other agreement relating to the Lock-Box Account, the Lock-Box Account is and will be maintained solely for the benefit of the Agent, and will be entitled "Citicorp North America, Inc., as Agent, re: [Name of

Company]." You will maintain a record of all checks and other remittance items received in the Lock-Box Account. In addition to providing the Agent and the Company with the reports and other documents provided in the past, you will furnish to the Agent and the Company for the Lock-Box Account (i) a monthly statement and (ii) such other information as the Agent may request from time to time, to be transmitted to the Agent at 450 Mamaroneck Avenue, Harrison, New York 10528 and to the Company at [Address]. Given the Agent's interest in the Lock-Box Account, all transfers from the Lock-Box Account shall be made by you irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off with respect to the Company or any of its affiliates and shall be final, and you shall not seek to recover from the Agent for any reason any such payment once made.

Notwithstanding the foregoing, all service charges and fees with respect to the Lock-Box Account shall be payable by the Company.

Please agree to the terms of, and acknowledge receipt of, this notice by signing in the space provided below on a counterpart hereof. This letter may be executed in any number of counterparts and by difference parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this letter by telefax shall be effective as delivery of a manually executed counterpart of this letter. Your signing will also be a confirmation to the Agent that the description of the Lock-Box Account above is correct and that you have no notice of any other person or entity having any interest in, or pledge or assignment of, the Lock-Box Account. Please send two signed copies of this letter to the Agent at its address at 399 Park Avenue, New York, New York 10043, Attention:_____. A third copy is enclosed for your records.

Very truly yours,

THE GEON COMPANY

By:

Title:

CITICORP NORTH AMERICA, INC.

By:

Title:

Agreed and acknowledged:

[NAME OF LOCK-BOX BANK]

By:

Title:

SCHEDULE I

LOCK-BOX BANKS

1) The Geon Company:

National City Bank, Cleveland
Lock-Box 73603-N

The Geon Company
P.O. Box 73603-N
Cleveland, Ohio 44193

Harris Trust and Savings Bank, Chicago
Lock-Box 71151

The Geon Company
P.O. Box 71151
Chicago, Illinois 60694

2) Plast-O-Meric, Inc.:

SCHEDULE II

DESCRIPTION OF
CREDIT AND COLLECTION POLICY

SCHEDULE III

FORM OF CONTRACTS

SCHEDULE IV

LIST OF OFFICES OF SELLER AND SELLING SUBSIDIARIES WHERE RECORDS RELATING TO THE RECEIVABLES ARE KEPT

The Geon Company
One Geon Center
Avon Lake, Ohio
(Lorain County)

Plast-O-Meric, Inc.
W227 N6225 Sussex Road
Sussex, Wisconsin 53089

S&S DRAFT
DATED 6/2/99

U.S. $85,000,000

FOURTH AMENDED AND RESTATED TRADE RECEIVABLES PURCHASE AND SALE AGREEMENT

Dated as of May 28, 1999

Among

THE GEON COMPANY

as Seller,

CIESCO, L.P.

and

CORPORATE RECEIVABLES CORPORATION

as Investors

and

CITICORP NORTH AMERICA, INC.

as Agent

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SCHEDULES

EXHIBITS

EXHIBIT 10.12b

S&S DRAFT
DATED 6/2/99

U.S. $85,000,000

THIRD AMENDED AND RESTATED

PARALLEL PURCHASE COMMITMENT

Dated as of May 28, 1999

Among

THE GEON COMPANY

as Seller

and

THE BANKS NAMED HEREIN

as Banks

and

CITICORP NORTH AMERICA, INC.

as Agent

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EXHIBITS & SCHEDULES

THIRD AMENDED AND RESTATED

PARALLEL PURCHASE COMMITMENT

Dated as of May 28, 1999

THE GEON COMPANY, a Delaware corporation (the "Seller"), the bank listed on the signature pages hereof (the "Original Bank"), and CITICORP NORTH AMERICA, INC., a Delaware corporation ("CNAI"), as agent for the Banks (as defined below in Section 1.01) (the "Agent"), agree as follows:

PRELIMINARY STATEMENTS. (1) Certain terms which are capitalized and used throughout this Agreement (in addition to those defined above) are defined in Article I of this Agreement.

(2) The Seller entered into a Parallel Purchase Commitment dated as of May 10, 1993, as amended and restated on August 16, 1994, and as further amended and restated on July 31, 1997 (as amended, collectively the "Original Parallel Purchase Commitment") with the banks party thereto and the Agent whereby the Seller has, and expects to have, Pool Receivables (as defined in the Original Parallel Purchase Commitment) in which the Seller intends to sell interests referred to herein as "Eligible Assets" from time to time.

(3) The Seller desires to add to the "Pool Receivables" as defined in the Original Parallel Purchase Commitment additional accounts receivable arising from sales from time to time of goods or services by certain of its subsidiaries and acquired by the Seller from time to time.

(4) The parties hereto have agreed to amend and restate the Original Parallel Purchase Commitment, on the terms and conditions hereinafter set forth, to provide for, among other things, the sale of Eligible Asset interests in the additional accounts receivable referred to in Preliminary Statement (3) above as part of the Receivables Pool and to reflect the agreement of the parties hereto to extend the Commitment Termination Date (as defined in the Original Parallel Purchase Commitment) to December 23, 1999.

(5) CNAI has been requested and is willing to continue to act as Agent.

NOW, THEREFORE, the parties hereby agree that, effective as of the Restatement Effective Date the Original Parallel Purchase Commitment is hereby amended and restated in its entirety to read as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. (a) Unless otherwise defined herein, and subject to the modifications herein set forth, capitalized terms used in this Agreement or in any provisions of the Investor Agreement incorporated herein by reference shall have the meanings given to them in the Investor Agreement. Without limiting the foregoing, the defined terms "Contracts," "Credit and Collection Policy" and "Seller Report," together with the related Schedule III, Schedule II, Exhibit C and Exhibit E, respectively, of the Investor Agreement, are hereby incorporated by reference.

(b) As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Agent's Account" means the special account (account number 4060-5071) of the Agent maintained at the office of Citibank at 399 Park Avenue, New York, New York.

"Assignment" means an assignment, in substantially the form of Exhibit A hereto, by which an Eligible Asset may be assigned pursuant to Section 9.01.

"Bank Commitment" of any Bank means (i) with respect to Citibank $85,000,000, or such amount as reduced pursuant to Section 9.01 or (ii) if Citibank has entered in one or more Assignments with other Banks the amount set forth for each such Bank in the Register maintained by the Agent pursuant to Section 9.01(c) as such Banks "Bank Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.03.

"Bank Rate" for any Fixed Period for any Eligible Asset means the interest rate defined as the "Assignee Rate" in the Investor Agreement.

"Banks" means the Original Bank and each Eligible Assignee that shall become a party to this Agreement pursuant to Section 9.01.

"Capital" of any Eligible Asset means the original amount paid to the Seller for such Eligible Asset at the time of its acquisition by a Bank, pursuant to Sections 2.01 and 2.02, or such amount divided or combined by any dividing or combining of such Eligible Asset Pursuant to Section 2.09, in each case reduced from time to time by Collections received and distributed on account of such Capital pursuant to Section

2.06; provided, however, that such Capital of such Eligible Asset shall not be reduced by any distribution of any portion of Collections if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Certificate" means a certificate of assignment by the Seller to the Agent in the form of Exhibit B hereto, evidencing each Eligible Asset.

"Citibank" means Citibank, N.A., a national banking association.

"Collection Agent" means at any time the Person (including the Agent) then authorized pursuant to Article VI to service, administer and collect Pool Receivables.

"Collection Agent Fee" has the meaning assigned to that term in Section 2.10.

"Commitment" means $85,000,000, as such amount may be reduced pursuant to Section 2.03.

"Commitment Termination Date" means the earliest of (a) December 23, 1999, (b) the "Facility Termination Date" under the Investor Agreement or (c) the date of termination of the Commitment pursuant to Section 2.03 or Section 7.01.

"Credit Agreement" means the Credit Agreement, dated as of August 16, 1994, among the Seller, the Banks party thereto and Citibank, as Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Determination Date" has the meaning assigned to that term in Section 10.03.

"Eligible Asset Owner" means, in respect of each Eligible Asset, upon its purchase any of the Banks as a purchaser thereof; provided, however, that, upon any assignment thereof or a portion thereof pursuant to Article IX, the assignee thereof shall be an Eligible Asset Owner thereof.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $5,000,000,000; (ii) a savings and loan association or savings bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $5,000,000,000; (iii) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development ("OECD") or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman

Islands, or a political subdivision of any such country, and having total assets in excess of $5,000,000,000; (iv) the central bank of any country that is a member of the OECD; (v) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and having total assets in excess of $5,000,000,000; (vi) any Affiliate of a Bank and (vii) any other Person approved by the Agent and the Seller, such approval not to be unreasonably withheld; provided, however, that an Affiliate of the Seller shall not qualify as an Eligible Assignee.

"Event of Termination" has the meaning assigned to that term in Section 7.01.

"Event of Receivables Ineligibility" has the meaning assigned to that term in Section 7.02.

"Excluded Obligors" has the meaning assigned to that term in Section 10.03.

"Excluded Receivables" has the meaning assigned to that term in Section 10.03.

"Investor" means Corporate Receivables Corporation, a California corporation, or Ciesco, L.P., a New York limited partnership, each being an "Investor" pursuant to the Investor Agreement.

"Investor Agreement" means the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement, dated as of the date hereof among the Seller, Corporate Receivables Corporation, Ciesco, L.P. and CNAI, as agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

"Majority Banks" shall mean at any time Banks owning or holding at least 66 2/3% of the Eligible Assets or undivided interests therein owned by the Banks or, if no Eligible Asset is outstanding, Banks having at least 66 2/3% of the aggregate Bank Commitments of the Banks at such time.

"Moody's" means Moody's Investors Service, Inc.

"Original Bank" has the meaning set forth in the recital of parties hereto.

"Original Parallel Purchase Commitment" has the meaning set forth in the Preliminary Statements.

"Register" has the meaning set forth in Section 9.01(c).

"Restatement Effective Date" has the meaning set forth in Section 11.04.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill companies.

"Termination Date" for any Eligible Asset means the earlier of (i) the Reinvestment Termination Date for such Eligible Asset and (ii) the Commitment Termination Date.

"Yield" means for each Eligible Asset

$$\frac{BR \times C \times ED + LF}{360}$$

where:

BR = the Bank Rate for such Eligible Asset for such Fixed Period

C = the Capital of such Eligible Asset during such Fixed Period

ED = the actual number of days elapsed during such Fixed Period

LF = the Liquidation Fee, if any, for such Eligible Asset for such Fixed Period

provided, however, that no provision of this Agreement or the Certificate shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law; and provided further that Yield for any Eligible Asset shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

SECTION 1.02. Incorporation by Reference. Various provisions of (including defined terms) and Exhibits and Schedules to the Investor Agreement (as in effect on the date hereof and whether or not the Investor Agreement is hereafter terminated) are specifically incorporated in this Agreement by reference, with the same force and effect as if the same were set out in this Agreement in full. All references in such incorporated provisions to the "Agent" and "Agreement" shall, without further reference, mean and refer to CNAI as Agent under this Agreement and this Agreement, respectively, and, without limitation, all references in such incorporated provisions to "Certificate," "Collections," "Concentration Limit,"

"Contract," "Credit and Collection Policy," "Default Ratio," "Defaulted Receivable," "Delinquency Ratio," "Delinquent Receivable," "Eligible Asset," "Eligible Receivable," "Net Receivables Pool Balance,""Pool Receivable," "Purchase," "Receivable," "Receivables Pool," "Related Security," "Special Concentration Limit," "Dilution Horizon," "Dilution Percentage," "Dilution Ratio," "Dilution Reserve" and "Dilution Volatility" shall mean and refer to a Certificate, Collections, the Concentration Limit, a Contract, the Credit and Collection Policy, the Default Ratio, a Defaulted Receivable, the Delinquency Ratio, a Delinquent Receivable, an Eligible Asset, an Eligible Receivable, the Net Receivables Pool Balance, a Pool Receivable, a Purchase, a Receivable, the Receivables Pool, the Related Security, the Special Concentration Limit, the Dilution Horizon, the Dilution Percentage, the Dilution Ratio, the Dilution Reserve and the Dilution Volatility under this Agreement, respectively; likewise, to the extent any word or phrase is defined in this Agreement, any such word or phrase appearing in provisions so incorporated by reference from the Investor Agreement shall have the meaning given to it in this Agreement. The incorporation by reference into this Agreement from the Investor Agreement is for convenience only and this Agreement and the Investor Agreement shall at all times be, and be deemed to be and treated as, separate and distinct facilities. Incorporations by reference in this Agreement from the Investor Agreement shall not be affected or impaired by any subsequent expiration or termination of the Investor Agreement, nor by any amendment thereof or waiver thereunder unless the Agent, as Agent for the Banks, shall have consented to such amendment or waiver in writing.

SECTION 1.03. Other Terms. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

SECTION 1.04. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

SECTION 1.05. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) of the Investor Agreement as incorporated herein by reference ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE PURCHASES

SECTION 2.01. Commitment. On the terms and conditions hereinafter set forth, the Banks shall, ratably in accordance with their respective Bank Commitments, purchase Eligible Assets from the Seller from time to time during the period from the date hereof to the Commitment Termination Date. Under no circumstances shall the Banks be obligated to make any such Purchase if, after giving effect to such Purchase, the aggregate outstanding Capital of Eligible Assets, together with the aggregate outstanding "Capital" of all "Eligible Assets" under the Investor Agreement would exceed the Commitment. The Eligible Asset Owner of each Eligible Asset shall, with the proceeds of Collections attributable to such Eligible Asset, reinvest, pursuant to Section 2.05, in additional undivided percentage interests in the Pool Receivables by making an appropriate readjustment of such Eligible Asset.

SECTION 2.02. Making Purchases. (a) Each Purchase shall be made on at least three Business Days' notice from the Seller to the Agent or on such other notice period as the Seller and the Agent shall agree. Each such notice of a proposed purchase shall specify (i) the amount requested to be paid to the Seller (such amount, which shall not be less than $1,000,000, being referred to herein as the initial "Capital" of the Eligible Asset then being purchased), (ii) the date of such purchase (which shall be a Business Day) and (iii) the desired duration of the initial Fixed Period for the Eligible Asset to be purchased. The Agent shall notify the Seller whether the desired duration of the initial Fixed Period for the Eligible Asset to be purchased is acceptable, and the Agent shall promptly notify the Banks of the proposed purchase. Such notice of purchase shall be sent by telecopier, telex or cable to all Banks concurrently and shall specify the date of such purchase, each Bank's percentage interest multiplied by the aggregate amount of Capital of the Eligible Asset being purchased, the Fixed Period for such Eligible Asset and whether Yield for the Fixed Period for such Eligible Asset is calculated based on the Eurodollar Rate (which may be selected only if such notice is given at least three Business Days prior to the purchase date) or the Alternate Base Rate.

(b) Prior to 2:00 P.M., New York City time, on the date of each such purchase, the Banks, ratably in accordance with their respective Bank Commitments shall, upon satisfaction of the applicable conditions set forth in Article III, make available to the Agent the amount of their respective purchases by deposit of the applicable amount in immediately available funds to the Agent's Account and, after receipt by the Agent of such funds, the Agent will cause such funds to be made immediately available to the Seller at Citibank's office at 399 Park Avenue, New York, New York.

(c) Notwithstanding the foregoing, a Bank shall not be obligated to make Purchases under this Section 2.02 at any time in an amount which would exceed such Bank's

Bank Commitment. Each Bank's obligation shall be several, such that the failure of any Bank to make available to the Seller any funds in connection with any Purchase shall not relieve any other Bank of its obligation, if any, hereunder to make funds available on the date of such Purchase, but no Bank shall be responsible for the failure of any other Bank to make funds available in connection with any Purchase. Nothing in this Section 2.02 shall be deemed to prejudice any rights the Seller may have against any Bank as a result of any failure by such Bank to make Purchases hereunder.

SECTION 2.03. Termination or Reduction of the Commitment. (a) Optional. The Seller may, upon at least five Business Days' notice to the Agent, terminate in whole or reduce in part the unused portion of the Commitment; provided, however, that, for purposes of this Section 2.03(a), the unused portion of the Commitment shall be computed as the excess of (A) the Commitment immediately prior to giving effect to such termination or reduction over (B) the sum of (i) the aggregate Capital of Eligible Assets outstanding at the time of such computation and (ii) the aggregate "Capital" of "Eligible Assets" outstanding under the Investor Agreement at such time; provided further that each partial reduction shall be in an amount equal to $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Mandatory. On each day on which the Seller shall, pursuant to Section 2.03(a) of the Investor Agreement, reduce in part the unused portion of the Purchase Limit (as defined in the Investor Agreement), the Commitment shall automatically reduce by an equal amount. The Commitment shall automatically terminate in whole on any day on which the Seller shall terminate in whole the Purchase Limit pursuant to Section 2.03(a) of the Investor Agreement.

SECTIONS 2.04 through 2.09. Incorporation by Reference. Each of Sections 2.04 through 2.09 of the Investor Agreement is hereby incorporated herein by this reference, except that each reference therein to an "Investor" or to an "Owner" shall be deemed to be a reference to a Bank and each reference therein to the "Parallel Purchase Commitment" shall be deemed to be a reference to the Investor Agreement.

SECTION 2.10. Fees and Payments. (a) The Seller shall pay to the Agent certain fees in the amounts and on the dates set forth in a separate fee agreement of even date herewith between the Seller and the Agent.

(b) Each Bank shall pay to the Collection Agent a collection fee (the "Collection Agent Fee") of 1/4 of 1% per annum on the average daily amount of Capital of each Eligible Asset owned by such Bank, from the date thereof until the later of the Commitment Termination Date or the date on which such Capital is reduced to zero, payable on the last day of each Settlement Period for such Eligible Asset; provided, however, that upon three Business Days' notice to the Agent, the Collection Agent may (if not the Seller) elect to be paid, as such fee, another percentage per annum on the average daily amount of Capital of each such Eligible Asset, but in no event in excess of 110% of the costs and expenses referred to in Section 6.02(b); and provided further that such fees shall be payable only from

Collections pursuant to, and subject to the priority of payment set forth in, Sections 2.05 and 2.06.

SECTION 2.11. Increased Costs. (a) If, due to either (i) introduction of or any change in or in the interpretation of any law or regulation occurring on or after the effective date of this Agreement or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued on or after the effective date of this Agreement, there shall be any increase in the amount of capital required or expected to be maintained by CNAI, an Eligible Asset Owner, any entity which enters into a commitment to purchase Eligible Assets or interests therein, or any of their respective Affiliates (as defined in the Investor Agreement) (each an "Affected Person") or any corporation controlling such Affected Person, as a result of or based upon the existence of any commitment to make purchases of or otherwise to maintain the investment in Pool Receivables or interests therein related to this Agreement or to the funding thereof and other commitments of the same type relating to this Agreement, then, within five Business Days after receipt of a written demand by such Affected Person (with a copy to the Agent), the Seller shall immediately pay to the Agent, for the account of such Affected Person (as a third-party beneficiary), from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments. A certificate as to such amounts setting forth in reasonable detail the calculations used in determining, and the basis of the requirements for, such amounts, submitted to the Seller and the Agent by such Affected Person, shall be conclusive and binding for all purposes, absent evidence of error. Notwithstanding anything to the contrary contained in this subsection (a), a Bank shall only be entitled to receive reimbursement for such additional amounts pursuant to this subsection (a) to the extent incurred within 60 days prior to, and at any time after, the date on which such Bank gives to the Seller a notice that an event has occurred as a result of which such additional amounts will arise or a notice that the Seller is obligated to pay such additional amounts, whichever first occurs.

(b) If, due to either (i) the introduction of or any change occurring on or after the effective date of this Agreement (other than any change by way of imposition or increase of reserve requirements referred to in Section 2.12) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued on or after the effective date of this Agreement, there shall be any increase in the cost to any Bank of agreeing to purchase or purchasing, or maintaining the ownership of Eligible Assets in respect of which Yield is computed by reference to the Eurodollar Rate, then, within five Business Days after receipt of a written demand by such Bank (with a copy to the Agent), the Seller shall pay to the Agent, for the account of such Bank (as a third-party beneficiary), from time to time as

specified, additional amounts sufficient to compensate such Bank for such increased costs. A certificate as to the amount of such increased cost setting forth in reasonable detail the calculations used for determining, and the basis of the requirements for, such increased costs, submitted to the Seller and the Agent by such Bank shall be conclusive and binding for all purposes, absent evidence of error. Notwithstanding anything to the contrary contained in this subsection (b), a Bank shall only be entitled to receive reimbursement for such increased costs to the extent incurred within 60 days prior to, and at any time after, the date on which such Bank gives to the Seller a notice that an event has occurred as a result of which such increased costs will arise or a notice that the Seller is obligated to pay increased costs, whichever first occurs.

(c) So long as no Event of Termination shall have occurred and be continuing, any Bank claiming any additional amounts payable pursuant to Sections 2.11(a) and 2.11(b) shall, upon request from the Seller delivered to such Bank and the Agent specifying an Eligible Assignee willing and able to assume and accept all such Bank's rights and obligations under this Agreement and the Loan Documents, assign, in accordance with the provisions of Section 9.01, all of its rights and obligations under this Agreement and the Loan Documents to such Eligible Assignee in consideration for (i) the payment by such assignee to the Bank of the principal of, and interest on, the Syndicated Note (as defined in the Credit Agreement) or Syndicated Notes (as defined in the Credit Agreement) of such Bank accrued to the date of such assignment, the aggregate Capital of all Eligible Assets owned by such Bank and all Yield thereon accrued to the date of such assignment, together with any and all other amounts owing to such Bank under any provision of this Agreement or the Loan Documents accrued to the date of such assignment, and (ii) the release of such Bank from any further liability hereunder. The processing and recordation fee required under Section 8.07(a) of the Credit Agreement shall be paid by the Seller under this Section 2.11(c).

SECTION 2.12. Additional Yield on Eligible Assets Bearing a Eurodollar Rate. The Seller shall pay to a Bank, so long as such Bank shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional Yield on the unpaid Capital of each Eligible Asset of such Bank during each Fixed Period in respect of which Yield is computed by reference to the Eurodollar Rate, for such Fixed Period, at a rate per annum equal at all times during such Fixed Period to the remainder obtained by subtracting (i) the Eurodollar Rate for such Fixed Period from (ii) the rate obtained by dividing such Eurodollar Rate referred to in clause (i) above by that percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Fixed Period, payable on each date on which Yield is payable on such Eligible Asset. A certificate as to such additional Yield submitted to the Seller and the Agent by such Bank shall be conclusive and binding for all purposes, absent evidence of error.

SECTION 2.13. Maintenance of Purchase Account. (a) Each Bank and CNAI shall maintain in accordance with its usual practice an account in which shall be recorded from time to time the amount of each portion of each Purchase made by such Bank or CNAI and all amounts received by such Bank or CNAI hereunder.

(b) The Register maintained by the Agent pursuant to Section 9.01(c) shall include a control account, and a monitoring account for each Bank and CNAI, in which accounts (taken together) shall be recorded (i) the date and amount of each Purchase made hereunder and each Fixed Period applicable to each Eligible Asset purchased hereunder, (ii) the terms of each Assignment delivered to and accepted by it, (iii) the amount of any Capital or Yield due and payable or to become due and payable to the Banks and CNAI out of Collections hereunder, and (iv) the amount of any sum received by the Agent from the Seller hereunder and each Bank's and CNAI's share thereof.

(c) The entries made in the Register shall be prima facie evidence of the existence and the accuracy of the Purchases and other information to be recorded by the Agent pursuant to subsections (a) and (b) of this Section 2.13.

ARTICLE III

CONDITIONS OF EFFECTIVENESS AND OF PURCHASES

SECTION 3.01. Conditions Precedent to the Original Parallel Purchase Commitment. The effectiveness of the Original Parallel Purchase Commitment and the initial Purchase under the Original Parallel Purchase Commitment after the date of effectiveness of the Original Parallel Purchase Commitment, were subject to these conditions precedent, which were satisfied: (i) the Original Parallel Purchase Commitment was executed by the Seller, the Original Banks and the Agent and (ii) the Agent did receive on or before the date of effectiveness of the Original Parallel Purchase Commitment the following:

(a) The Certificate under the Original Parallel Purchase Commitment;

(b) A copy of the resolutions adopted by the Board of Directors of the Seller approving the Original Parallel Purchase Commitment, the Certificate delivered in connection therewith, and the other documents delivered by it thereunder, and the transactions contemplated thereby, certified by its Secretary or Assistant Secretary;

(c) A certificate of the Secretary or Assistant Secretary of the Seller certifying the names and true signatures of the officers authorized on its behalf to sign the Original Parallel Purchase Commitment, the Certificate thereunder and the other

documents to be delivered by it thereunder (on which certificate the Agent and each Bank shall be entitled to conclusively rely until such time as the Agent shall have received from the Seller a revised certificate meeting the requirements of this subsection (c));

(d) Copies of the Financing Statements (Form UCC-1) referred to in Section 3.01(d) of the Original Agreement (as defined in the Investor Agreement);

(e) Certified copies of Requests for Information or Copies (Form UCC-11) (or a similar search report certified by a party acceptable to the Agent), dated a date reasonably near to the date of the Original Parallel Purchase Commitment, listing all effective financing statements (including those referred to above in subsection (d)) which name the Seller (under its then present name and any previous name) as debtor and which were filed in the jurisdictions in which filings were made pursuant to subsection (d) above, together with copies of any such financing statements (none of which (other than the financing statements filed pursuant to clause (d) above after giving effect thereto), shall cover any Receivables, Contracts or Related Security);

(f) Acknowledgment copies of proper Financing Statements (Form UCC-3), if any, necessary to release all security interests and other rights of any Person other than the Agent in the Receivables, Contracts or Related Security previously granted by the Seller;

(g) A favorable opinion of (i) in-house counsel to the Seller, substantially in the form of Exhibit C-1 to the Original Parallel Purchase Commitment and (ii) Thompson, Hine and Flory, special counsel to the Seller, substantially in the form of Exhibit C-2 to the Original Parallel Purchase Commitment, and as to such other matters as the Agent may reasonably request; and

(h) A favorable opinion of counsel for the Agent, as the Agent may reasonably request.

SECTION 3.02. Conditions Precedent to Amendment and Restatement and to the Initial Purchase After the Restatement Effective Date. The effectiveness of this Agreement to amend and restate the Original Parallel Purchase Commitment, and the initial Purchase hereunder after the Restatement Effective Date, are subject to the conditions precedent that (i) this Agreement shall have been executed by the Seller, the Original Bank and the Agent and (ii) the Agent shall have received on or before the Restatement Effective Date the following, each of which (unless otherwise indicated) shall be dated such date, in form and substance satisfactory to the Agent:

(a) The Certificate;

(b) The Selling Subsidiary Letter duly executed by the Selling Subsidiary and the Seller;

(c) Certified copies of the charter and by-laws, as amended, of the Selling Subsidiary;

(d) A copy of the resolutions adopted by the Board of Directors of the Selling Subsidiary authorizing the Selling Subsidiary Letter and the transactions contemplated hereby and thereby, certified by its Secretary or Assistant Secretary;

(e) A certificate of the Secretary or Assistant Secretary of the Selling Subsidiary certifying the names and true signatures of the officers authorized on its behalf to sign the Selling Subsidiary Letter and the other documents to be delivered by it hereunder and thereunder (on which certificate the Agent and each Bank shall be entitled to conclusively rely until such time as the Agent shall have received from the Selling Subsidiary a revised certificate meeting the requirements of this subsection (e));

(f) Executed copies of the financing statements (Form UCC-1) and amendments (Form UCC-3) referred to in Section 3.02(f) of the Investor Agreement;

(g) Acknowledgment copies of proper Financing Statements (Form UCC-3), if any, necessary to release all security interests and other rights of any Person other than CNAI in the Receivables, Contracts or Related Security previously granted by the Selling Subsidiary;

(h) Certified copies of Requests for Information or Copies (Form UCC-l1) (or a similar search report certified by a party acceptable to the Agent), dated a date reasonably near to the date hereof, listing all effective financing statements which name the Selling Subsidiary (under its then present name and any previous name) as debtor and which were filed in the jurisdictions in which filings were made pursuant to subsection (f) above, together with copies of any such financing statements (none of which (other than the financing statements filed pursuant to clause (f) above after giving effect thereto) shall cover any Receivables, Contracts or Related Security);

(i) An executed copy of the Investor Agreement duly executed by the Seller, the Investors and CNAI, as agent;

(j) Favorable opinions of (i) counsel to the Seller, substantially

in the form of Exhibit C-1 hereto, (ii) senior corporate counsel to the Selling Subsidiary, substantially in the form of Exhibit C-2 hereto, and (iii) Wisconsin counsel to the Selling Subsidiary, substantially in the form of Exhibit C-3 hereto, and, in the case of the opinions referred to in clauses (i), (ii) and (iii) above, as to such other matters as the Agent may reasonably request; and

(k) A favorable opinion of counsel for the Agent, as the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to All Purchases and Reinvestments. Each Purchase (including the initial Purchase after the Restatement Effective Date) hereunder and the right of the Collection Agent to reinvest in Pool Receivables those Collections attributable to an Eligible Asset pursuant to Section 2.05 or 2.06 shall be subject to the further conditions precedent that:

(a) With respect to any such Purchase, on or prior to the date of such Purchase, the Collection Agent shall have delivered to the Agent, in form and substance satisfactory to the Agent, a completed Seller Report, dated within 35 days prior to the date of such Purchase, together with a listing by Obligor of all Pool Receivables and such additional information as may be reasonably requested by the Agent;

(b) On the date of such Purchase or reinvestment the following statements shall be true (and the Seller by accepting proceeds of such Purchase or by receiving the proceeds of such reinvestment shall be deemed to have certified on the date of such purchase or reinvestment that):

(i) The representations and warranties contained in Section 4.01 hereof and contained in each Loan Document are correct on and as of such date as though made on and as of such date before and after giving effect to such Purchase or reinvestment and to the application of proceeds therefrom other than representations or warranties that, by their terms, refer to a date other than the date of such Purchase,

(ii) No event has occurred and is continuing, or would result from such Purchase or reinvestment or from the application of proceeds therefrom, which constitutes an Event of Termination or would constitute an Event of Termination but for the requirement that notice be given or time elapse or both,

(iii) On such date, the fee agreement noted in Section 2.10 of this Agreement shall be effective; and

(c) The Agent shall have received such other approvals, opinions or

documents as the Agent may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Seller. Each of the representations and warranties of the Seller, as set forth in Section 4.01 of the Investor Agreement (including Schedules I and IV), is hereby incorporated herein by this reference and is deemed to be herein restated and hereby reconfirmed in favor of the Banks and the Agent.

ARTICLE V

GENERAL COVENANTS OF THE SELLER

SECTION 5.01. Affirmative Covenants of the Seller. Until the later of the Commitment Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will, unless the Agent shall otherwise consent in writing, comply with each and every affirmative covenant of the Seller as set forth in Section 5.01 of the Investor Agreement, each of which is hereby incorporated herein by this reference.

SECTION 5.02. Reporting Requirements of the Seller. Until the later of the Commitment Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will, unless the Agent shall otherwise consent in writing, furnish to the Agent each and every report, document, certificate or other item referred to in said Section 5.02 of the Investor Agreement, which is incorporated herein by this reference, except that each reference in Sections 5.02(a), (b) and (e) to an "Event of Investment Ineligibility" shall be and be deemed to be a reference to an Event of Termination.

SECTION 5.03. Negative Covenants of the Seller. Until the later of the Commitment Termination Date and the date upon which no Capital for any Eligible Asset shall be existing, the Seller will not, without the written consent of the Agent, violate any negative covenant set forth in Section 5.03 of the Investor Agreement, each of which is incorporated herein by this reference.

ARTICLE VI

ADMINISTRATION AND COLLECTION

SECTION 6.01. Designation of Collection Agent. The servicing, administering and collection of the Pool Receivables shall be conducted by such Person (the "Collection Agent") so designated from time to time in accordance with this Section 6.01. Until the Agent gives three Business Days' notice to the Seller of a designation of a new Collection Agent, the Seller is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. The Agent may at any time designate as Collection Agent any Person (including itself) to succeed the Seller or any successor Collection Agent if the Agent shall determine in its reasonable discretion that such action is necessary to protect the interest of any Eligible Asset Owner in the Receivables, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Collection Agent pursuant to the terms hereof. The Collection Agent may, with the prior consent of the Agent, subcontract with any other Person for servicing, administering or collecting the Pool Receivables, provided that the Collection Agent shall remain liable for the performance of the duties and obligations of the Collection Agent pursuant to the terms hereof.

SECTIONS 6.02 through 6.05. Incorporation by Reference. Each of Sections 6.02 through 6.05 of the Investor Agreement is hereby incorporated herein by this reference, except that the reference in said Section 6.02(b) to "Facility Termination Date" shall be and be deemed to be a reference to the Commitment Termination Date.

ARTICLE VII

EVENTS OF TERMINATION AND RECEIVABLES INELIGIBILITY

SECTION 7.01. Events of Termination. If any of the following events (except for any such event as it applies to any Selling Subsidiary (as to which Section 7.02 shall govern)) ("Events of Termination") shall occur and be continuing:

(a) (i) The Collection Agent (if other than the Agent or Citibank) shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (ii) of this Section 7.01(a)) and such failure shall remain unremedied for three Business Days or (ii) the Seller or the Collection Agent (if other than the Agent or Citibank) shall fail to make any payment or deposit to be made by it hereunder or under the letter agreements described in Sections 2.10(a) and 2.10(c) when due; or

(b) The Seller shall fail to perform or observe any term, covenant or agreement contained in Section 5.03(e) of the Investor Agreement or Section 6.03(a) of the Investor Agreement (in each case as incorporated herein by reference); or

(c) Any representation or warranty made or deemed to be made by the Seller (or any of its officers) under or in connection with this Agreement, the Loan Documents or any Seller Report or other information or report delivered pursuant hereto shall prove to have been false or incorrect in any material respect when made; or

(d) The Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for seven Business Days after written notice thereof shall have been given by the Agent to the Seller; or

(e) Any Purchase or any reinvestment pursuant to Section 2.05 shall for any reason, except to the extent permitted by the terms hereof, cease to create, or any Eligible Asset shall for any reason cease to be, a valid and perfected first priority undivided percentage ownership interest to the extent of the pertinent Eligible Asset in each applicable Pool Receivable and the Related Security and Collections with respect thereto; or

(f) The Default Ratio as at the last day of any calendar month shall exceed 6% or the Delinquency Ratio as at the last day of any calendar month shall exceed 4% and a repurchase, if required pursuant to Section 10.03, is not made when due; or

(g) There shall have been any material adverse change in the financial condition or operations of the Seller since December 31, 1998, or there shall have occurred any event which materially adversely affects the collectibility of the Pool Receivables, or there shall have occurred any other event which materially adversely affects the ability of the Seller to collect Pool Receivables or the ability of the Seller to perform hereunder; or

(h) There shall have occurred any event which constitutes or would, with the giving of notice or the lapse of time or both, constitute an "Event of Investment Ineligibility" under the Investor Agreement or the Investor Agreement shall cease for any reason to be in full force and effect; or

(i) The aggregate undivided percentage interest for all Eligible Assets and "Eligible Assets" under the Investor Agreement shall exceed 100% for five consecutive days;

then, and in any such event, the Agent shall at the request, or may with the consent, of the Majority Banks, by notice to the Seller, declare the Commitment to be terminated whereupon the Commitment shall forthwith terminate, without demand, protest or further notice of any kind, all without any further actions on its part, which are hereby expressly waived by the Seller; provided, however that the Majority Banks shall not be entitled to make any request of the Agent to declare the Commitment to be terminated as to any such event if (x) the Agent has granted a waiver in respect of such event pursuant to Section 11.01 hereof so long as such waiver is effective or (y) the Banks have not made Purchases of Eligible Assets under this Agreement; provided further, however, that in the event of an actual or deemed entry of an

order for relief with respect to the Seller under the Federal Bankruptcy Code or the occurrence of any event described in Section 7.01 (g) of the Investor Agreement, the Commitment shall automatically terminate, without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Seller. Upon any such termination of the Commitment, the Agent and the Banks shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of the applicable jurisdiction and other applicable laws, which rights shall be cumulative. Without limiting the foregoing or the general applicability of Article IX hereof, any Bank may elect to assign pursuant to Article IX hereof any Eligible Asset owned by such Bank to an Eligible Assignee following the occurrence of any Event of Termination.

SECTION 7.02. Events of Receivables Ineligibility. If any of the following events ("Events of Receivables Ineligibility") shall occur and be continuing:

(a) Any representation or warranty made or deemed to be made by the Seller (or any of its officers) under or in connection with this Agreement, or any Selling Subsidiary Letter, with respect to any Selling Subsidiary, shall prove to have been false or incorrect in any material respect when made; or

(b) The Seller shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any Selling Subsidiary Letter on its part to be performed or observed with respect to any Selling Subsidiary, or any Selling Subsidiary should fail to perform or observe any term, covenant or agreement contained in any Selling Subsidiary Letter on its part to be performed or observed, and any such failure shall remain unremedied for seven Business Days after written notice thereof shall have been given by the Agent to the Seller; or

(c) Any sale of any Receivables by any Selling Subsidiary pursuant to paragraph 1 of any Selling Subsidiary Letter shall for any reason cease to create a valid and perfected first priority 100% ownership interest in such Receivables in favor of the Seller; or

(d) There shall have occurred any event which materially adversely affects the ability of the Seller to perform under any Selling Subsidiary Letter with respect to any Selling Subsidiary or the ability of any Selling Subsidiary to perform its obligations under any Selling Subsidiary Letter to which it is a party; or

(e) There shall have occurred any event which constitutes or would, with the giving of notice or the lapse of time or both, constitute an "Event of Receivables Ineligibility" with respect to any Selling Subsidiary under the Investor Agreement;

then, and in any such event, the Agent may, by notice to the Seller, declare all Pool Receivables originally owed to such Selling Subsidiary as not being Eligible Receivables,

whereupon all such Pool Receivables then existing and thereafter arising shall forthwith become and be Pool Receivables that are not Eligible Receivables.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each of the Banks hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or any Selling Subsidiary Letter (including, without limitation, enforcement of this Agreement and any Selling Subsidiary Letter), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of a majority in interest of the Banks, and such instructions shall be binding upon all Banks; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or any Selling Subsidiary Letter or applicable law.

SECTION 8.02. Rights of the Agent. The Agent reserves the right, in its sole discretion (subject to Section 11.01), to exercise any rights and remedies available under this Agreement and each Selling Subsidiary Letter or pursuant to applicable law and also to agree to any amendment, modification or waiver of the provisions of this Agreement, each Selling Subsidiary Letter or any instrument or document delivered pursuant hereto.

SECTION 8.03. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Agent under or in connection with this Agreement or any Selling Subsidiary Letter (including, without limitation, the Agent's servicing, administering or collecting Pool Receivables as Collection Agent pursuant to Section 6.01), except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Agent:

(i) may consult with legal counsel (including counsel for the Seller), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(ii) makes no warranty or representation to the Banks and shall not be responsible to any of them for any statements, warranties or representations made in or

in connection with this Agreement or any Selling Subsidiary Letter;

(iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any Selling Subsidiary Letter on the part of the Seller or any Selling Subsidiary or to inspect the property (including the books and records) of the Seller or any Selling Subsidiary;

(iv) shall not be responsible to the Banks for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Certificate, any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto; and

(v) shall incur no liability under or in respect of this Agreement or any Selling Subsidiary Letter by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.04. CNAI and Affiliates. With respect to any Eligible Asset owned by CNAI, CNAI shall have the same rights and powers under this Agreement as would any Bank and may exercise the same as though it were not the Agent. CNAI and its Affiliates may generally engage in any kind of business with the Seller, any Selling Subsidiary or any Obligor, any of their respective Affiliates and any Person who may do business with or own securities of the Seller, any Selling Subsidiary or any Obligor or any of their respective Affiliates, all as if CNAI were not the Agent and without any duty to account therefor to the Banks.

SECTION 8.05. Purchase Decisions. Each Bank acknowledges that it has, independently and without reliance upon the Agent, any of its Affiliates or any other Bank or Eligible Asset Owner and based on such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and, if it so determines, to purchase undivided ownership interests in Pool Receivables hereunder. Each Bank also acknowledges that it will, independently and without reliance upon the Agent, any of its Affiliates or any other Bank or Eligible Asset Owner and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement or any Selling Subsidiary Letter.

SECTION 8.06. Indemnification. The Banks severally agree to indemnify the Agent (to the extent not reimbursed by the Seller), ratably according to their respective Bank Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or

arising out of this Agreement or the Investor Agreement or any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto or thereto or any action taken or omitted by the Agent under this Agreement or the Investor Agreement or any Selling Subsidiary Letter or any such instrument or document, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or the Investor Agreement or any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto or thereto.

ARTICLE IX

ASSIGNMENT

SECTION 9.01. Assignment. (a) Each Bank may, upon the consent of the Agent and the Seller, which consent shall not be unreasonably withheld, and, if demanded by the Seller (following a demand by the Bank pursuant to Sections 2.11(a) or 2.11(b)), shall pursuant to Section 2.11(c), assign to any Eligible Assignee or any other Bank, and any such assignee may assign to any other such assignee, all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Bank Commitment and any Eligible Assets owned by it); provided, however, that

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement,

(ii) the amount being assigned pursuant to each assignment shall in no event be less than the lesser of (i) $5,000,000 or (ii) the amount of such Bank's Bank Commitment,

(iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment,

(iv) each assignment made as a result of a demand by the Seller shall be arranged by the Seller after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Bank under this Agreement or an assignment of a portion of such rights and obligations

made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Bank under this Agreement,

(v) no Bank shall be obligated to make any such assignment as a result of a demand by the Seller unless and until such Bank shall have received one or more payments from either the Seller or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Capital owing to such Bank, together with accrued Yield thereon to the date of payment of such Capital amount and all other amounts then payable to such Bank under this Agreement, and

(vi) concurrently with such assignment, the assignor thereunder shall assign to such Eligible Assignee or such other Purchaser an equal percentage of its rights and obligations under the Asset Purchase Agreement and the Credit Agreement.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in the Assignment, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to this Agreement, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to this Agreement, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an assignment covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto). If the Seller is notified in writing of a proposed Eligible Assignee and fails to deliver to the proposed assignor and the Agent within five Business Days written notice of the Seller's objection thereto, the Seller will be deemed to have consented to such assignment.

(b) By executing and delivering an Assignment, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any Selling Subsidiary Letter or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the Certificate, any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto;

(ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Selling Subsidiary or the performance or observance by the Seller or any Selling

Subsidiary of any of its obligations under this Agreement, the Certificate, any Selling Subsidiary Letter or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01, each Selling Subsidiary Letter and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and to purchase such Eligible Asset;

(iv) such assignee will, independently and without reliance upon the Agent, any of its Affiliates, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or any Selling Subsidiary Letter;

(v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto;

(vi) such assignee appoints as its agent the Collection Agent from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables, the Related Security and the related Contracts; and

(vii) such assignee agrees that it will not institute against either Investor any proceeding of the type referred to in Section 7.01(g) of the Investor Agreement so long as any debt securities issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such debt securities shall have been outstanding.

(c) The Agent shall maintain at its office listed on the signature pages hereof a copy of each Assignment delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Bank Commitment of, and the portion of each Eligible Asset owned by, each Bank and CNAI from time to time (the "Register"). The entries in the Register shall constitute prima facie evidence of the accuracy of the information contained therein, and the Seller, the Agent, CNAI and the Banks may treat each Person (other than CNAI) whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Seller or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment executed by an assigning Bank and by

an assignee who is an Eligible Assignee or who is an existing Bank, the Agent shall (i) accept such Assignment, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Seller.

(e) The Seller may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Agent and the Banks.

SECTION 9.02. Annotation of Certificate. The Agent shall annotate the Certificate to reflect any assignments made pursuant to Section 9.01 or otherwise.

ARTICLE X

INDEMNIFICATION

SECTION 10.01. Indemnities by the Seller. Without limiting any other rights which the Agent, the Banks or any of their respective Affiliates (each an "Indemnified Party") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the use of proceeds of Purchases or the ownership of Eligible Assets or in respect of any Receivable or any Contract, excluding, however, (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party, (b) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables or (c) any income taxes incurred by any of them arising out of or as a result of this Agreement or the ownership of Eligible Assets or in respect of any Receivable or any Contract. Without limiting or being limited by the foregoing, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party for Indemnified Amounts relating to or resulting from:

(i) the creation of an undivided percentage ownership interest in any Receivable which is not at the date of the creation of such interest an Eligible Receivable or which thereafter ceases to be an Eligible Receivable (whether pursuant to Section 7.02 or otherwise);

(ii) reliance on any representation or warranty made by the Seller (or any of its officers) under or in connection with this Agreement, the Selling Subsidiary Letter, any Seller Report or any other information or report delivered by the Seller or any Selling Subsidiary pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(iii) the failure by the Seller or any Selling Subsidiary to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the nonconformity of any Pool Receivable or the related Contract with any such applicable law, rule or regulation;

(iv) the failure to vest continuously in the Eligible Asset Owner of an Eligible Asset an undivided percentage ownership interest, to the extent of each Eligible Asset, in the Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, free and clear of any Adverse Claim;

(v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, whether at the time of any Purchase or reinvestment or at any subsequent time;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vii) any failure of the Seller, as Collection Agent or otherwise, or any Selling Subsidiary to perform its duties or obligations hereunder or under the Investor Agreement or under any Selling Subsidiary Letter or to perform its duties or obligations under the Contracts;

(viii) any products liability claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;

(ix) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of Purchases or the ownership of Eligible Assets or in respect of any Receivable or any Contract;

(x) the commingling of collections of Pool Receivables at any time with other funds; provided that, without in any way limiting the foregoing indemnity, such indemnity is not intended to restrict the Seller from servicing Receivables as the

Collection Agent pursuant to Article VI of this Agreement; or

(xi) any claim brought by any Person other than an Indemnified Party arising from any activity by the Seller or any Affiliate of the Seller in servicing, administering or collecting any Pool Receivables.

SECTION 10.02. Additional Indemnities. Section 8.04(b) of the Credit Agreement is incorporated in this Agreement by reference, with the same force and effect as if the same was set out in this Agreement in full; provided that references to the "Borrower" and any "Lender" therein shall mean the Seller and any Bank, respectively, and, without limitation, all references in such incorporated provision to "Indemnified Party" and "Loan Documents" shall mean and refer to Indemnified Party and Loan Documents under this Agreement, respectively; likewise, to the extent any word or phrase is defined in this Agreement, any such word or phrase appearing in the provision so incorporated by reference from the Credit Agreement shall have the meaning given to it in this Agreement; and provided further words or phrases used in such incorporated provision and not otherwise defined in this Agreement shall be also incorporated herein by reference; and provided further, that notwithstanding the foregoing, such incorporated provision shall exclude recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables. The incorporation by reference into this Agreement from the Credit Agreement is for convenience only and this Agreement and the Credit Agreement shall at all times be, and be deemed to be and treated as, separate and distinct facilities. Incorporations by reference in this Agreement from the Credit Agreement shall not be affected or impaired by any subsequent expiration or termination of the Credit Agreement, nor by any amendment thereof or waiver thereunder unless the Agent, as Agent for the Banks, shall have consented to such amendment or waiver in writing.

SECTION 10.03. Limited Recourse. On the first day (the "Determination Date") on which (a) the Default Ratio or the Delinquency Ratio exceeds the percentage therefor set forth in Section 7.01(f) and (b) such percentage would not be exceeded if such ratio (the "Applicable Ratio") were calculated by excluding from the numerator and denominator thereof all the Pool Receivables of either (i) the Obligor with the largest, (ii) the Obligors with the two largest or (iii) the Obligors with the three largest Outstanding Balances of Pool Receivables that on the Determination Date are either Defaulted Receivables or Delinquent Receivables, as the case may be (the amount of such Outstanding Balances of the minimum number of such Obligors required so that such percentage would not be exceeded being called the "Excluded Receivables", and the one, two or three Obligors owing such Excluded Receivables being the "Excluded Obligors"), then the Seller shall repurchase a portion of Eligible Assets ratably from each Bank by paying to the Agent for the benefit of the Banks on the first Business Day after the Determination Date:

(i) an amount of Capital equal to the product obtained by multiplying all

Capital outstanding as of the Determination Date by a fraction the numerator of which shall be the Outstanding Balances of the Excluded Receivables and the denominator of which shall be the Outstanding Balances of all Pool Receivables, in each case as of the Determination Date, plus

(ii) all Yield accrued thereon through the date of such repurchase plus

(iii) the amount, if any, by which (A) the additional Yield which would have accrued on the portion of the Eligible Assets so repurchased during the Fixed Period (computed without regard to clause (iv) of the definition of "Fixed Period") during which such repurchase occurs if such portion of such Eligible Assets had remained outstanding in its entirety exceeds (B) the income, if any, received by the Bank by investing the proceeds of such repurchase attributable to the portion of the Eligible Assets so repurchased.

On and after the date on which such payment is made in full, each Excluded Obligor shall automatically and immediately cease to be a Designated Obligor, and the Receivables of such Obligor shall automatically and immediately be excluded from the Receivables Pool. Upon receipt of funds paid to the Agent pursuant to this Section 10.03, the Agent shall distribute such funds to the Banks ratably (i) in payment of the accrued Yield for such portion of each Eligible Asset repurchased, (ii) in reduction of the Capital of such portion of each Eligible Asset repurchased and (iii) in payment of any other amounts owed by the Seller hereunder to such Bank.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement (including, without limitation, any provision of the Investor Agreement which is incorporated herein by reference) nor consent to any departure by the Seller therefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall (a) unless in writing and signed by all the Banks, do any of the following at any time: (i) amend the definition of Eligible Receivable, Defaulted Receivable or Delinquent Receivable or modify the then existing Concentration Limit or any Special Concentration Limit, (ii) amend, modify or waive any provision of this Agreement in any way which would (A) reduce the amount of Capital or Yield that is payable on account of any Eligible Asset or delay any scheduled date for payment thereof, (B) impair any rights

expressly granted to an assignee or participant under this Agreement, (C) reduce fees payable by the Seller to the Agent or the Banks or delay the dates on which such fees are payable, (D) release, sell, convey or otherwise dispose of all or substantially all of the Receivables, Contracts or Related Security or (E) extend the Commitment Termination Date, (iii) agree to a different Assignee Rate pursuant to the final proviso in the definition of "Assignee Rate" in the Investor Agreement or (iv) amend or waive Section 7.01(g) of the Investor Agreement or (b) without the prior written consent of the Majority Banks, (i) amend the definition of Default Ratio, Delinquency Ratio or Net Receivables Pool Balance, (ii) amend the Events of Termination to increase the maximum permitted Default Ratio or Delinquency Ratio or reduce the minimum required Net Receivables Pool Balance to Capital ratio, (iii) (A) waive violations of the Default Ratio or the Delinquency Ratio that exceed the maximum permitted levels of such ratios (i) for more than two consecutive months or (ii) by more than 10% or (B) waive a violation of the Net Receivables Pool Balance to Capital ratio that is more than 10% less than the minimum permitted level for such ratio for more than one month beyond any applicable grace period unless (x) the Seller has cured or has agreed to cure such violation within 30 days after notice from the Agent, or (y) no other waivers are then in effect and the Net Receivables Pool Balance is greater than Capital plus 1.25 times the Loss Reserve or (C) waive a violation of the cross default provision set forth in Section 7.01(e) of the Investor Agreement or (iv) amend this Agreement or the Investor Agreement to increase the Commitment or the Purchase Limit, respectively.

SECTION 11.02. Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing and mailed, faxed or delivered, as to each party hereto, at its address set forth under its name on the signature pages hereof, or in the case of any Bank that is not an Original Bank, in the Assignment pursuant to which such Bank became a Bank hereunder, or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent, and notices and communications sent by other means shall be effective when received, in each case addressed as aforesaid.

SECTION 11.03. No Waiver; Remedies. No failure on the part of the Agent or the Banks to exercise, and no delay in exercising, any of their respective rights hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 11.04. Restatement Effective Date; Restatement of the Original Parallel Purchase Commitment; Binding Effect. This Agreement shall become effective when the conditions precedent set forth in Section 3.02 are satisfied or waived (the date on which all such conditions precedent are satisfied or waived being the "Restatement Effective Date"). On the Restatement Effective Date the Original Parallel Purchase Commitment and the Certificate

issued thereunder shall each automatically and without further action be amended and restated to read in its entirety as set forth in this Agreement. Thereafter each reference in the Original Parallel Purchase Commitment to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Original Parallel Purchase Commitment in any Certificate or other document delivered and to be delivered in connection with the Original Parallel Purchase Commitment shall mean and be a reference to the Original Parallel Purchase Commitment as amended and restated pursuant to this Agreement and each reference to the Certificate in the Original Parallel Purchase Commitment and in any document delivered and to be delivered in connection with the Original Parallel Purchase Commitment shall mean and be a reference to the Certificate issued under this Agreement. Except as so amended and restated, the Original Parallel Purchase Commitment shall remain in full force and effect and is hereby ratified and confirmed. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Agent under the Original Parallel Purchase Commitment, nor constitute a waiver of any provision of the Original Parallel Purchase Commitment. The Original Parallel Purchase Commitment as so amended and restated shall be binding upon and inure to the benefit of the Seller, the Agent, the Banks and their respective successors and assigns. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time, after the Commitment Termination Date, as no Capital of any Eligible Asset shall be outstanding and, in the case of the Seller's obligation to pay fees, until such time as no "Capital" of any "Eligible Asset" shall be outstanding under the Investor Agreement; provided, however, that rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article IV, the indemnification provisions of Article X and the provisions of Sections 11.06 and 11.07 shall be continuing and shall survive any termination of this Agreement for a period of three years.

SECTION 11.05. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, except to the extent that the validity or perfection of the interests of the Banks in the Receivables, or remedies hereunder, in respect thereof, are governed by the laws of a jurisdiction other than the State of New York.

SECTION 11.06. Costs, Expenses and Taxes. (a) In addition to the rights of indemnification granted to the Agent, the Banks and their respective Affiliates under Article X hereof, the Seller agrees to pay on demand all costs and expenses in connection with the syndication of the Bank Commitments hereunder and the preparation, execution, delivery and administration (including periodic auditing) of this Agreement, the Certificate, each Selling Subsidiary Letter and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for CNAI, the Agent and their respective Affiliates with respect thereto and with respect to advising CNAI, the Agent

and their respective Affiliates as to their respective rights and remedies under this Agreement and each Selling Subsidiary Letter. The Seller further agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Certificate, each Selling Subsidiary Letter and the other documents to be delivered hereunder, including, without limitation, reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 11.06(a). A certificate as to the amount of such costs and expenses setting forth the basis thereof in reasonable detail and submitted to the Seller shall be conclusive and binding for all purposes, absent manifest error.

(b) In addition, the Seller shall pay any and all stamp and other taxes (excluding income taxes) and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, each Selling Subsidiary Letter or the other documents to be delivered hereunder, and agrees to indemnify each Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. A certificate as to the amount of such costs and fees setting forth the basis thereof in reasonable detail and submitted to the Seller shall be conclusive and binding for all purposes, absent manifest error.

SECTION 11.07. Confidentiality. (a) Unless otherwise required by applicable law, rule, regulation or judicial process, the Seller agrees to maintain the confidentiality of this Agreement and each Selling Subsidiary Letter (and all drafts thereof), including the terms and provisions of the Investor Agreement (and all drafts thereof) incorporated herein by reference, in communications with third parties and otherwise; provided, however, that the Agreement and any Selling Subsidiary Letter may be disclosed to third parties to the extent such disclosure is (i) required in connection with a sale of securities of the Seller, (ii) made solely to persons who are legal counsel for the purchaser or underwriter of such securities, (iii) limited in scope to the provisions of Articles V, VII, X and, to the extent defined terms are used in Articles V, VII and X, such terms defined in Article I of this Agreement and (iv) made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent; provided further, however, that this Agreement and any Selling Subsidiary Letter may be disclosed to the Seller's legal counsel pursuant to an agreement of the type referred to in clause (iv), above; and provided further, however, that the Seller shall have no obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of the Seller.

(b) Each Bank understands that this Agreement and each Selling Subsidiary Letter is a confidential document and no Bank will disclose it to any other Person without the Agent's prior written consent other than (i) to such Bank's Affiliates and their and their Affiliates' officers, directors, employees, agents, counsel, auditors and advisors and then only

on a confidential basis, (ii) to actual or prospective assignees and participants, and then only if such assignee has agreed in writing to maintain such information on a confidential basis, (iii) as required by any law, rule or regulation or judicial process or (iv) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

(c) Neither the Agent nor any Bank shall disclose any Confidential Information to any Person without the consent of the Seller, other than (i) to the Agent's or such Bank's Affiliates and their and their Affiliates' officers, directors, employees, agents, counsel, auditors and advisors and then only on a confidential basis, (ii) to actual or prospective Eligible Assignees and participants, and then only if such Eligible Assignee has agreed in writing to maintain such Confidential Information on a confidential basis, (iii) as required by any law, rule or regulation or judicial process and (iv) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 11.08. Execution in Counterparts; Severability. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telefax shall be effective as delivery of a manually executed counterpart of this Agreement. In case any provision in or obligation under this Agreement should be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 11.09. Grant of a Security Interest. Section 11.10 of the Investor Agreement is hereby incorporated herein by this reference, except that each reference therein to an "Investor" or to an "Owner" shall be deemed to be a reference to a Bank and each reference therein to an "Event of Investment Ineligibility" shall be deemed to be a reference to an Event of Termination.

[THE REST OF THIS PAGE IS LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers (or agents) thereunto duly authorized, as of the date first above written.

THE GEON COMPANY

By:

Title:

One Geon Center
Avon Lake, Ohio 44012
(Lorain County)
Attn: Treasurer
Facsimile No.: (216) 930-3727

CITICORP NORTH AMERICA, INC.,
as Agent

By:

Title:

450 Mamaroneck Avenue
Harrison, New York 10528
Attention: Corporate Asset
Funding Department
Facsimile No.: (914) 899-7890

THE ORIGINAL BANK

Bank Commitment	Bank Name
$85,000,000	CITIBANK, N.A. By: --- Title: 399 Park Avenue New York, NY 10043 Attn: Chemicals Dept. Facsimile No.: (212) 826-2371
Total Commitment: $85,000,000	

EXHIBIT A

ASSIGNMENT

Dated as of _____, 19___

Reference is made to the Third Amended and Restated Parallel Purchase Commitment dated as of May 28, 1999 (the "Agreement") among The Geon Company (the "Seller"), the Banks party thereto and Citicorp North America, Inc., as Agent. Terms defined in the Agreement are used herein as therein defined.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. In consideration of the payment of $_____, being the existing [aggregate] Capital of the Eligible Asset[s] referred to below, and of $_____, being the [aggregate] unpaid accrued Yield for such Eligible Asset[s], [and of $_____, being the [aggregate] unpaid other accrued amounts owing to the Assignor under the Agreement] receipt of which payment is hereby acknowledged, the Assignor hereby assigns to the Agent for the account of the Assignee, and the Assignee hereby purchases from the Assignor, all of the Assignor's right, title and interest in and to the Eligible Asset[s] purchased by the undersigned in [a] Purchase[s] on _____, 19___; _____, 19___, [etc.]] under the Agreement [and the Assignor hereby assigns to the Assignee, and the Assignee hereby assumes from the Assignor, [all] [a portion] of its rights and obligations under the Agreement as a Bank, including the Assignor's Bank Commitment set forth on Schedule I hereto].

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the Eligible Asset[s] being assigned by it hereunder and that such Eligible Asset[s] are free and clear of any Adverse Claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement, any Selling Subsidiary Letter or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement, the Certificate, any Selling Subsidiary Letter or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller or any Selling Subsidiary or the performance or observance by the Seller or any Selling Subsidiary of any of its obligations under the Agreement, the Certificate, any Selling Subsidiary Letter or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Agreement, together with copies of the financial statements referred to in Section 4.01 thereof, each Selling Subsidiary Letter and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and purchase such Eligible Asset[s]; (ii) agrees that it will, independently and without reliance upon the Agent, any of its Affiliates, the Assignor or any other Bank and

based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement and any Selling Subsidiary Letter; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement and each Selling Subsidiary Letter as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) appoints as its agent the Collection Agent from time to time designated pursuant to Section 6.01 to enforce its respective rights and interests in and under the Pool Receivables, the Related Security and the related Contracts; and (v) agrees that it will not institute against either Investor any proceeding of the type referred to in Section 7.01(g) of the Investor Agreement so long as any promissory notes or other debt securities issued by such Investor shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such commercial paper shall have been outstanding.

4. Following the execution of this Assignment by the Assignor and the Assignee, it will be delivered to the Agent. The effective date of this Assignment shall be the date above specified (the "Effective Date").

5. As of the Effective Date, (i) the Assignee shall be and become the Bank [owner of the Eligible Asset[s] referred to herein] [party to the Agreement] for all purposes of the Agreement and (ii) the Assignor shall relinquish its rights with respect to such Eligible Asset[s] for all purposes of the Agreement.

6. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed and delivered by their respective duly authorized officers or agents as of the date first written above.

[NAME OF ASSIGNOR]

By:

Title:

[NAME OF ASSIGNEE]

By:

Title:

Schedule I

Assignment of Bank Commitment
with respect to
The Geon Company
Parallel Purchase Commitment

Dated _____, 199__

Section 1.

Bank Commitment
Percentage Assigned:* _____%

Assignor's remaining Bank
Commitment Percentage: _____%

Capital of Eligible
Assets Assigned: $_____

Capital of Assignor's remaining
Eligible Assets: $_____

Section 2.

Assignee's Bank Commitment: $_____

Assignor's remaining Bank Commitment: $_____

Section 3.

Effective Date of this Assignment: _____, 19___

- ----------

* An interest in each of the "Purchase Commitment" under the Asset Purchase Agreement and the "Commitment" under the Credit Agreement for the same percentage must be assigned concurrently.

[NAME OF ASSIGNOR]

By:

Name:
Title:

[NAME OF ASSIGNEE]

By:

Name:
Title:

[Address]

Accepted this ____ day of
_____ , 199__

CITICORP NORTH AMERICA, INC.,
as Agent

By:

Title: Attorney-in-Fact

EXHIBIT B

CERTIFICATE OF ASSIGNMENT

Dated as of _____, 199___

Reference is made to the Third Amended and Restated Parallel Purchase Commitment dated as of May 28, 1999 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Agreement") among The Geon Company (the "Seller"), the Banks party thereto and Citicorp North America, Inc., as Agent. Terms defined in the Agreement are used herein as therein defined.

The Seller hereby sells and assigns to the Agent for the account of the Eligible Asset Owners thereof each Eligible Asset purchased under the Agreement.

Each Purchase of an Eligible Asset made by the Banks from the Seller, each assignment of such Eligible Asset by the Eligible Asset Owners thereof to an Eligible Assignee and each reduction in Capital in respect of each Eligible Asset evidenced hereby shall be endorsed by the Agent on the grid attached hereto which is part of this Certificate of Assignment. Such endorsement shall evidence the ownership of such Eligible Asset initially by the purchaser thereof and upon any assignment, if any, thereof by the Eligible Assignee thereof and the amount of Capital from time to time.

This Certificate of Assignment is made without recourse except as otherwise provided in the Agreement.

This Certificate of Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Assignment to be duly executed and delivered by its duly authorized officer as of the date first above written.

THE GEON COMPANY

By:

Title:

GRID*

Number of Eligible Asset	Transaction**	Capital (Giving Effect to Transaction)	Bank (Giving Effect to Transaction)

*Eligible Assets will be numbered sequentially based upon date of Purchase.

**Transactions are Purchases, Reductions in Capital, Assignments, Divisions of Eligible Assets and Combinations of Eligible Assets.

EXHIBIT 10.12c

EXECUTION COPY

LETTER AMENDMENT NO. 4

Dated as of March 14, 2001

To the Banks (the "Banks") party to the Third Amended and Restated Parallel Purchase Commitment referred to below, the Investors (the "Investors") party to the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement referred to below and to Citicorp North America, Inc., as agent for the Banks and the Investors (the "Agent")

Ladies and Gentlemen:

We refer to (i) the Third Amended and Restated Parallel Purchase Commitment dated as of May 28, 1999, as amended by Letter Amendment No. 2 dated as of February 9, 2000 and Letter Amendment and Waiver No. 3 dated as of August 31, 2000 (as so amended, the "Parallel Purchase Commitment") among PolyOne Corporation (formerly known as The Geon Company) ("PolyOne"), the Banks and the Agent and (ii) the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement dated as of May 28, 1999 between PolyOne, the Investors and the Agent, as amended by Letter Amendment No. 1 dated as of July 21, 1999, Letter Amendment No. 2 dated as of February 9, 2000 and Letter Amendment and Waiver No. 3 dated as of August 31, 2000 (as so amended, the "Investor Agreement" and together with the Parallel Purchase Commitment, the "Agreements"). Capitalized terms not otherwise defined in this Letter Amendment have the same meanings as specified in the Agreements.

It is hereby agreed by you and us as follows:

SECTION 1. Amendment of the Parallel Purchase Commitment. The Parallel Purchase Commitment is, effective as of the date of this Letter Amendment and subject to the satisfaction of the conditions precedent set forth in Section 5 hereof, hereby amended as follows:

(a) The definition of "Bank Commitment" set forth in Section 1.01 of the Parallel Purchase Commitment is hereby amended by deleting the number "$100,000,000" in clause (i) thereof and substituting therefor the number "$200,000,000".

(b) The definition of "Commitment" set forth in Section 1.01 of the Parallel Purchase Commitment is hereby amended by deleting the number "$100,000,000" therein and substituting therefor the number "$200,000,000".

(c) The definition of "Commitment Termination Date" set forth in Section 1.01 thereof is amended by deleting the same in its entirety and replacing it with the following definition:

> "'Commitment Termination Date' means the earliest of (a) December 20, 2001, unless, prior to such date (or the date so extended pursuant to this clause), upon the Seller's request made not more than 90 nor less than 45 days prior to the then Commitment Termination Date, one or more Banks having 100% of the Bank Commitments shall in their sole discretion consent, which consent shall be given not more than 30 days prior to the then Commitment Termination Date, to the extension of the Commitment Termination Date to the date occurring 360 days after the then Commitment Termination Date, provided, however, that any failure of any Bank to respond to the Seller's request for such extension shall be deemed a denial of such request by such Bank, (b) the "Facility Termination Date" under the Investor Agreement, and (c) the date of termination of the Commitment pursuant to Section 2.03 or Section 7.01."

(d) Section 3.03(d) of the Parallel Purchase Commitment is deleted in its entirety.

(e) Section 7.01 of the Parallel Purchase Commitment is amended by (A) adding to the end of subsection (i) thereto the word "or" and (B) adding after subsection (i) thereto the following subsection (j):

> "(j) All of the Seller's long-term public senior debt securities, if rated, shall be rated below BB- by S&P or rated below Ba3 by Moody's or, if not rated, such securities are deemed not to merit a BB rating in the sole discretion of the Agent;"

(f) Section 7.01 (i) thereof is amended by deleting the percentage "100%" therein and substituting therefor the percentage "95%".

SECTION 2. Amendment of the Investor Agreement. The Investor Agreement is, effective as of the date of this Letter Amendment and subject to the satisfaction of the conditions precedent set forth in Section 5 hereof, hereby amended as follows:

(a) The definition of "Dilution Percentage" set forth in Section 1.01 thereof is amended by deleting the same in its entirety and replacing it with the following definition:

> "'Dilution Percentage' means, as of any date, the product of (a) the sum of (i) 1.5 times the average of the Dilution Ratios for each of the twelve most recently ended calendar months, plus (ii) the Dilution Volatility as at the last day of the most recently ended calendar month, and (b) the Dilution Horizon as of such date; provided, however, that the "Dilution Percentage" shall be modified if, prior to such modification, (i) the Agent

shall have (a) requested the approval of Moody's and S&P or both and (b) set forth, in a written notice delivered to the Seller, the proposed modification, together with written evidence of the approval of Moody's or S&P or both for such modification, and (ii) the Seller shall have delivered to the Agent its written consent to the proposed modification. Notwithstanding anything to the contrary contained in this definition of `Dilution Percentage', so long as (x) the Seller's long-term senior debt securities are rated at least BBB by S&P or Baa2 by Moody's, and (y) the Seller's long-term senior debt securities are rated at least BBB- by S&P and Baa3 by Moody's, the `Dilution Percentage' shall be zero."

(b) The definition of "Purchase Limit" set forth in Section 1.01 thereof is amended by deleting the number "$100,000,000" therein and substituting therefor the number "$200,000,000".

(c) The definition of "Net Receivables Pool Balance" set forth in Section 1.01 thereof is amended by deleting the same in its entirety and replacing it with the following definition:

"'Net Receivables Pool Balance' means, at any time, the Outstanding Balance of the Eligible Receivables in the Receivables Pool at such time reduced by the sum of (i) the aggregate Outstanding Balance of the Defaulted Receivables in the Receivables Pool at such time, (ii) the aggregate amount by which the then Outstanding Balance of all Eligible Receivables (other than Defaulted Receivables) of each Obligor then in the Receivables Pool exceeds, in the case of each Obligor other than an Obligor having a Special Concentration Limit, the product of (A) the Concentration Limit for such Obligor multiplied by (B) the aggregate then outstanding Capital of all Eligible Assets, and in the case of each Obligor having a Special Concentration Limit, the lower of (I) the product of (A) the Concentration Limit for such Obligor multiplied by (B) the aggregate then outstanding Capital of all Eligible Assets, and (II) $10,000,000, (iii) the aggregate amount of Collections on hand at such time for payment on account of any Eligible Receivables, the Obligor of which has not been identified and (iv) the aggregate Outstanding Balance of all Eligible Receivables in respect of which any credit memo issued by the Seller or any Selling Subsidiary is outstanding at such time to the extent deemed Collections have not been paid pursuant to Section 2.07."

(d) The definition of "Concentration Limit" set forth in Section 1.01 thereof is amended by deleting the same in its entirety and replacing it with the following definition:

"'Concentration Limit' for any Obligor means at any time 3 1/3%, or, in the case of any such Obligor designated by the Agent in a writing delivered to the Seller, such other percentage ("Special Concentration Limit") for such Obligor so designated by the Agent; provided, that (i) in

the case of an Obligor with any Affiliated Obligor, the Concentration Limit shall be calculated as if such Obligor and such Affiliated Obligor are one Obligor and (ii) the Agent may cancel any Special Concentration Limit upon five Business Days' notice to the Seller."

(e) The definition of "Seller Report" set forth in Section 1.01 thereof is amended by deleting the same in its entirety and replacing it with the following definition:

"'Seller Report' means a report, in substantially the form of Exhibit C hereto, as such Exhibit C may be amended by the Agent from time to time in accordance with its then current credit policy or guidelines (with notice to, but without the consent of either of, the Seller and the Collection Agent), in each case furnished by the Collection Agent to the Agent for each Owner pursuant to Section 2.07."

(f) Section 3.02(i) thereof is amended by changing Section 3.02(i) to read:

"(i) Executed copies of Lock-Box Agreements duly executed by the Lock-Box Banks and the Seller or such Selling Subsidiary;".

(g) Sections 3.04 and 3.05 thereof are deleted in their entirety.

(h) Section 5.01(h) thereof is amended by deleting the word "substantially" therefrom.

(i) Section 5.01(i) thereof is amended by deleting the words "Upon the request of the Agent" therefrom and capitalizing the "t" in the "the" following such deleted words.

(j) Section 6.03(a) thereof is amended by adding thereto the following provisions:

"Further, the Agent is hereby authorized at any time to date, execute and deliver to the Lock-Box Banks the Notices of Effectiveness referred to in the Lock-Box Agreements. The Seller hereby, when the Agent shall deliver such Notices of Effectiveness to the Lock-Box Banks, transfers to the Agent the exclusive ownership, dominion and control of the Lock-Box Accounts to which the Obligors of Pool Receivables shall make payments, and shall take such further action that the Agent may reasonably request to effect such transfer. If the Agent shall deliver such Notices of Effectiveness to the Lock-Box Banks, the Agent will, promptly after the aggregate Capital of all Eligible Assets shall be reduced to zero and the Yield in respect of all Eligible Assets and all other amounts payable under this Agreement to the Owner shall be paid in full, instruct the Lock-Box

Banks that the Agent transfers back to the Seller or the Selling Subsidiary, as the case may be, exclusive ownership, dominion and control of the Lock-Box Accounts."

(k) Section 7.01 (k) thereof is amended by deleting the percentage "100%" therein and substituting therefor the percentage "95%"; (l) Section 7.01 is amended by (A) adding to the end of subsection (l) thereto the word "or" and (B) adding after subsection (l) thereto the following new subsection (m):

"(m) All of the Seller's long-term public senior debt securities, if rated, are rated below BBB- by S&P or rated below Baa3 by Moody's or, if not rated, such securities are deemed to have a rating below BBB in the sole discretion of the Agent; provided, however, that in the case of CRC and its Assignees only (but not in the case of Ciesco and its Assignees), this subsection (l) shall not cause an Event of Investment Ineligibility to occur if and so long as, during the period that such securities shall not be rated below BB- or rated below Ba3 (or deemed rated below BB), the transaction evidenced by this Agreement shall be rated at least BBB- by S&P in a writing from S&P delivered to the Agent and rated at least Baa3 by Moody's in a writing from Moody's delivered to the Agent;".

(m) Exhibit C to the Investor Agreement is amended by deleting the same in its entirety and replacing it with Exhibit C hereto.

(n) Exhibit E to the Investor Agreement is amended by adding to Section 3(a) thereof the following provisions:

"Further, the Agent is hereby authorized at any time to date, execute and deliver to the Lock-Box Banks the Notices of Effectiveness referred to in the Lock-Box Agreements. The Selling Subsidiary hereby, when the Agent shall deliver such Notices of Effectiveness to the Lock-Box Banks, transfers to the Agent the exclusive ownership, dominion and control of the Lock-Box Accounts to which the Obligors of Pool Receivables shall make payments, and shall take such further action that the Agent may reasonably request to effect such transfer. If the Agent shall deliver such Notices of Effectiveness to the Lock-Box Banks, the Agent will, promptly after the aggregate Capital of all Eligible Assets shall be reduced to zero and the Yield in respect of all Eligible Assets and all other amounts payable under the Agreements to the Owner shall be paid in full, instruct the Lock-Box Banks that the Agent transfers back to the Seller or the Selling Subsidiary, as the case may be, exclusive ownership, dominion and control of the Lock-Box Accounts."

SECTION 3. Consent to Additional Selling Subsidiary. The Agent hereby consents to the addition of PolyOne Distribution Company, a Delaware corporation, as a Selling Subsidiary under the Investor Agreement and the Parallel Purchase Commitment; provided that (i) the Agent shall have received a copy of a Selling Subsidiary Letter duly executed by PolyOne Distribution Company, the Seller and the Agent and (ii) subject to Section 4 below, the terms and conditions of Section 5.01(l) of the Investor Agreement shall have been satisfied in full prior to the sale of any Receivables originated by such Selling Subsidiary to be included in the Receivables Pool.

SECTION 4. Delivery of Lock Box Letters. PolyOne hereby agrees to deliver to the Agent within 30 days of the date hereof, a Lock-Box Agreement in form and substance reasonably satisfactory to the Agent duly executed by PolyOne Distribution Company and Bank One, N.A. and each other bank that is required to become a Lock-Box Bank in connection with the addition of PolyOne Distribution Company as a Selling Subsidiary. Each of the parties hereto hereby agrees that if any such Lock-Box agreement is not delivered to the Agent by such date, such non-delivery shall constitute an Event of Investment Ineligibility under the Investor Agreement and an Event of Termination under the Parallel Purchase Commitment unless the date for delivery is extended in writing by the Agent.

SECTION 5. Conditions of Effectiveness of this Letter Amendment. This Letter Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received

(a) counterparts of this Letter Amendment executed by the undersigned, the Agent, the Banks and the Investors, and counterparts of the Selling Subsidiary Agreement attached hereto as Annex I executed by the Selling Subsidiary referred to therein;

(b) a copy of the resolutions adopted by the Board of Directors of PolyOne approving the increase of the Bank Commitment under the Parallel Purchase Commitment, and the Purchase Limit under the Investor Agreement, pursuant to this Letter Agreement;

(c) a certificate of the Secretary or Assistant Secretary of PolyOne certifying the names and the signatures of the officers of PolyOne authorized on its behalf to sign this Letter Agreement and the names and the signatures of the officers of each Selling Subsidiary authorized on its behalf to sign the Selling Subsidiary Agreement attached hereto as Annex I; and

(d) a favorable opinion of the Senior Corporate Counsel to PolyOne, in substantially the form of Exhibit A to this Letter Agreement.

This Letter Amendment is subject to the provisions of Section 11.01 of the Agreements

SECTION 6. Reference to and Effect on the related Documents. (a) On and after the effectiveness of this Letter Amendment, (i) each reference in the Parallel Purchase Commitment to "this Agreement", "hereunder", "hereof" or words of like import referring to the

Parallel Purchase Commitment, and each reference in the Certificates, the Selling Subsidiary Letter and the Investor Agreement, to "the Agreement", "the Parallel Purchase Commitment", "thereunder", "thereof" or words of like import referring to the Parallel Purchase Commitment, shall mean and be a reference to the Parallel Purchase Commitment, as amended by this Letter Amendment and (ii) each reference in the Investor Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Investor Agreement, and each reference in the Certificates, the Selling Subsidiary Letter and the Parallel Purchase Commitment, to "the Agreement", "the Investor Agreement", "thereunder", "thereof" or words of like import referring to the Investor Agreement, shall mean and be a reference to the Investor Agreement, as amended by this Letter Amendment.

(b) The Parallel Purchase Commitment and the Investor Agreement, as specifically amended by this Letter Amendment, and the Certificates and the Selling Subsidiary Letter are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank, any Investor or the Agent under the Parallel Purchase Commitment, the Investor Agreement, the Certificates or any Selling Subsidiary Letter, nor constitute a waiver of any provision of the Parallel Purchase Commitment, the Investor Agreement, the Certificates or any Selling Subsidiary Letter.

SECTION 7. Costs and Expenses. The undersigned agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Letter Amendment (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 11.06 of the Agreements.

SECTION 8. Execution of this Letter Amendment. (a) If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least two counterparts of this Letter Amendment to Junette Earl, Citibank, N.A., 388 Greenwhich Street, 19th Floor, New York, NY 10013, Telephone: (212) 816-0002, Telecopier: (212) 816-0245.

(b) This Letter Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Letter Amendment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SECTION 9. Governing Law. This Letter Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

POLYONE CORPORATION

By

Name:
Title:

Agreed as of the date first above written:

CITICORP NORTH AMERICA, INC.,
as Agent

By

Name:
Title:

CITIBANK, N.A.

By

Name:
Title:

CORPORATE RECEIVABLES CORPORATION

By: Citicorp North America, Inc.
as Attorney-in-Fact

By

Name:
Title:

CIESCO, L.P.

By: Citicorp North America, Inc.
as Attorney-in-Fact

By

Name:
Title:

EXHIBIT A
TO
LETTER AMENDMENT NO. 4

March 14, 2001

To Citicorp North America, Inc., as Agent
Citibank, N.A.
Ciesco, L.P. and
Corporate Receivables Corporation

PolyOne Corporation

Ladies and Gentlemen:

I furnish this opinion to you pursuant to Section 5(d) of Letter Amendment No. 4 dated as of March 14, 2001 (the "Amendment") among PolyOne Corporation (the "Seller"), Ciesco, L.P., Corporate Receivables Corporation, Citibank, N.A. and Citicorp North America, Inc., as Agent. Each term defined in the Amendment, when used herein, shall have the meaning therein defined.

As counsel of the Seller, I and/or attorneys under my supervision have examined:

1. The Amendment;

2. The Agreements;

3. The documents furnished by the Seller pursuant to Section 5 of the Amendment;

4. The Certificate of Incorporation of the Seller and all amendments thereto (the "Charter"); and

5. The by-laws of the Seller and all amendments thereto (the "By-Laws").

As to questions of fact material to such opinion, I have, in the case of relevant facts not independently established by me, relied upon certificates of the Seller or its officers or of public officials. I have assumed the due execution and delivery, pursuant to due authorization, of the agreements by all parties other than the Seller. I have also examined such other documents and records and have made such investigation of law, as I deem necessary and relevant to form a basis for this opinion.

I have qualified and remain qualified to practice law in the State of Ohio and I do not express an opinion on any laws other than the laws of the State of Ohio, and the Federal laws of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I opine as follows:

1. The Seller has duly incorporated under the laws of the State of Ohio, and remains duly incorporated and validly exists as a corporation in good standing under the laws of the State of Ohio. The Seller has qualified to do business and remains qualified to do business, and has achieved good standing status and remains in good standing, in every jurisdiction where the nature of the Seller's business requires that the Seller so qualify, except where the failure to so qualify would not have a material adverse effect on the Seller.

2. The due execution, delivery, and performance by the Seller of the Amendment, and the Agreements as amended by the Amendment, all lie wholly within Seller's corporate powers, have received due authorization by all necessary corporate action, and (a) do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Seller or (iii) any contractual or legal restriction applicable to Seller, and (b) do not result in or require the creation of any Adverse Claim (other than pursuant to the Agreements as amended by the Amendment) upon or with respect to any of the Seller's properties. The Seller has duly executed and delivered the Amendment.

I have provided the above opinions solely for your use with respect to matters pertaining specifically to Seller in the above-described transaction and no other person may reproduce, file publicly or rely upon the same for any purpose whatsoever without the express written consent of the undersigned. I express the opinions set forth herein as of the date hereof and no undertaking exists to advise you of any change that may subsequently come to my attention in the facts and/or legal conclusions upon which I base such opinions.

Very truly yours,

ANNEX I
TO
LETTER AMENDMENT NO. 4

SELLING SUBSIDIARY AGREEMENT

Dated as of March 14, 2001

The undersigned, Polyone Engineered Films, Inc. (formerly, Geon Engineered Films, Inc.) refers to the foregoing Letter Amendment No. 4 (the terms defined therein being used herein with the same meaning) and hereby agrees that (a) its Selling Subsidiary Letter is hereby amended by adding to Section 3(a) thereof the provisions that are added to Section 3(a) of Exhibit E to the Investor Agreement pursuant to Section 2(n) of the foregoing Letter Amendment No. 4, and (b) its Selling Subsidiary Letter, as amended by clause (a) above, is and shall continue to be in full force and effect and is in all respects ratified and confirmed.

POLYONE ENGINEERED FILMS, INC.
(formerly, GEON ENGINEERED FILMS, INC.)

By:

Name:
Title:

Exhibit 10.12d

LETTER AMENDMENT NO. 5

Dated as of June 22, 2001

To the Banks (the "BANKS") party to the Third Amended and Restated Parallel Purchase Commitment referred to below, the Investors (the "INVESTORS") party to the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement referred to below and to Citicorp North America, Inc., as agent for the Banks and the Investors (the "AGENT")

Ladies and Gentlemen:

We refer to (i) the Third Amended and Restated Parallel Purchase Commitment dated as of May 28, 1999, as amended by Letter Amendment No. 2 dated as of February 9, 2000, Letter Amendment and Waiver No. 3 dated as of August 31, 2000 and Letter Amendment No. 4 dated as of March 14, 2001 (as so amended, the "PARALLEL PURCHASE COMMITMENT") among PolyOne Corporation (formerly known as The Geon Company) ("POLYONE"), the Banks and the Agent and (ii) the Fourth Amended and Restated Trade Receivables Purchase and Sale Agreement dated as of May 28, 1999 between PolyOne, the Investors and the Agent, as amended by Letter Amendment No. 1 dated as of July 21, 1999, Letter Amendment No. 2 dated as of February 9, 2000, Letter Amendment and Waiver No. 3 dated as of August 31, 2000 and Letter Amendment No. 4 dated as of March 14, 2001 (as so amended, the "INVESTOR AGREEMENT" and together with the Parallel Purchase Commitment, the "AGREEMENTS"). Capitalized terms not otherwise defined in this Letter Amendment have the same meanings as specified in the Agreements.

It is hereby agreed by you and us as follows:

SECTION 1. AMENDMENT OF THE PARALLEL PURCHASE COMMITMENT. The Parallel Purchase Commitment is, effective as of the date of this Letter Amendment and subject to the satisfaction of the conditions precedent set forth in Section 5 hereof, hereby amended as follows:

(a) The definition of "Bank Commitment" set forth in Section 1.01 of the Parallel Purchase Commitment is hereby amended by deleting the number "$200,000,000" in clause (i) thereof and substituting therefor the number "$250,000,000".

(b) The definition of "Commitment" set forth in Section 1.01 of the Parallel Purchase Commitment is hereby amended by deleting the number "$200,000,000" therein and substituting therefor the number "$250,000,000".

(c) Section 7.01(f) thereof is amended by deleting the percentage "4%" immediately after the words "the Delinquency Ratio as at the last day of any calendar month shall exceed" and substituting therefor the percentage "10%".

SECTION 2. AMENDMENT OF THE INVESTOR AGREEMENT. The Investor Agreement is, effective as of the date of this Letter Amendment and subject to the satisfaction of the conditions precedent set forth in Section 5 hereof, hereby amended as follows:

(a) The definition of "Delinquent Receivable" set forth in Section 1.01 thereof is amended by deleting the words "for 61 to 90 days" therein and substituting therefor the words "for 31 to 90 days";

(b) The definition of "Purchase Limit" set forth in Section 1.01 thereof is amended by deleting the number "$200,000,000" therein and substituting therefor the number "$250,000,000";

(c) Section 7.01(h) thereof is amended by deleting the percentage "4%" immediately after the words "the Delinquency Ratio as at the last day of any calendar month shall exceed" and substituting therefor the percentage "10%".

SECTION 3. DELIVERY OF LOCK BOX LETTERS. PolyOne hereby agrees to deliver to the Agent within 30 days of the date hereof, a Lock-Box Agreement with respect to each new Lock-Box Account listed on Schedule I hereto in form and substance reasonably satisfactory to the Agent duly executed by PolyOne and the respective Lock-Box Bank. Each of the parties hereto hereby agrees that if any such Lock-Box agreement is not delivered to the Agent by such date, such non-delivery shall constitute an Event of Investment Ineligibility under the Investor Agreement and an Event of Termination under the Parallel Purchase Commitment unless the date for delivery is extended in writing by the Agent.

SECTION 4. AUDITS. PolyOne hereby agrees to permit the Agent and its agents and representatives to complete the audits (the process of which is set forth in Section 5.01(c) of the Investor Agreement) of PolyOne, all Selling Subsidiaries and all business units of PolyOne, including, without limitation, Geon Engineered Films, Inc., PolyOne Distribution Company and all of the business units of PolyOne listed on Schedule I hereto in form and substance reasonably satisfactory to the Agent within 90 days of the date hereof. Each of the parties hereto hereby agrees that if the audits of any such Selling Subsidiary or business unit of PolyOne are not completed in form and substance reasonably satisfactory to the Agent by such date, such non-completion shall constitute an Event of Investment Ineligibility under the Investor Agreement and an Event of Termination under the Parallel Purchase Commitment unless the date for completion is extended in writing by the Agent.

SECTION 5. CONDITIONS OF EFFECTIVENESS OF THIS LETTER AMENDMENT. This Letter Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received:

(a) counterparts of this Letter Amendment executed by the undersigned, the Agent, the Banks and the Investors;

(b) a copy of the resolutions adopted by the Board of Directors of PolyOne approving the increase of the Bank Commitment under the Parallel Purchase Commitment, and the Purchase Limit under the Investor Agreement, pursuant to this Letter Amendment;

(c) a certificate of the Secretary or Assistant Secretary of PolyOne certifying the names and the signatures of the officers of PolyOne authorized on its behalf to sign this Letter Amendment; and

(d) a favorable opinion of the Senior Corporate Counsel to PolyOne, in substantially the form of Exhibit A to this Letter Amendment.

This Letter Amendment is subject to the provisions of Section 11.01 of the Agreements.

SECTION 6. REFERENCE TO AND EFFECT ON THE RELATED DOCUMENTS. (a) On and after the effectiveness of this Letter Amendment, (i) each reference in the Parallel Purchase Commitment to "this Agreement", "hereunder", "hereof" or words of like import referring to the Parallel Purchase Commitment, and each reference in the Certificates, the Selling Subsidiary Letters and the Investor Agreement, to "the Agreement", "the Parallel Purchase Commitment", "thereunder", "thereof" or words of like import referring to the Parallel Purchase Commitment, shall mean and be a reference to the Parallel Purchase Commitment, as amended by this Letter Amendment and (ii) each reference in the Investor Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Investor Agreement, and each reference in the Certificates, the Selling Subsidiary Letters and the Parallel Purchase Commitment, to "the Agreement", "the Investor Agreement", "thereunder", "thereof" or words of like import referring to the Investor Agreement, shall mean and be a reference to the Investor Agreement, as amended by this Letter Amendment.

(b) The Parallel Purchase Commitment and the Investor Agreement, as specifically amended by this Letter Amendment, and the Certificates and the Selling Subsidiary Letters are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Letter Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank, any Investor or the Agent under the Parallel Purchase Commitment, the Investor Agreement, the Certificates or any Selling Subsidiary Letter, nor constitute a waiver of any provision of the Parallel Purchase Commitment, the Investor Agreement, the Certificates or any Selling Subsidiary Letter.

SECTION 7. COSTS AND EXPENSES. The undersigned agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Letter Amendment (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 11.06 of the Agreements.

SECTION 8. EXECUTION OF THIS LETTER AMENDMENT. (a) If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least two counterparts of this Letter Amendment to Junette Earl, Citibank, N.A., 388 Greenwich Street, 19th Floor, New York, NY 10013, Telephone: (212) 816-0002, Telecopier: (212) 816-0245.

(b) This Letter Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Letter Amendment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SECTION 9. GOVERNING LAW. This Letter Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

POLYONE CORPORATION

By

Name:
Title:

Agreed as of the date first above written:

CITICORP NORTH AMERICA, INC.,
as Agent

By

Name:
Title:

CITIBANK, N.A.

By:

Name:
Title:

CORPORATE RECEIVABLES CORPORATION

By: Citicorp North America, Inc.
as Attorney-in-Fact

By:

Name:
Title:

CIESCO, L.P.

By: Citicorp North America, Inc.
as Attorney-in-Fact

By:

Name:
Title:

SCHEDULE I TO

NEW LOCKBOXES

BUSINESS UNIT OF POLYONE	LOCKBOX #	LOCATION	BANK
Color	73104	Chicago	Bank One, NA
Engineered Materials	751717	Charlotte	Wachovia Bank, N.A.
Southwest Chemicals	101740	Atlanta	Wachovia Bank, N.A.
Elastomers(1)	70105	Chicago	Bank One, NA
Elastomers(2)	751545	Charlotte	Wachovia Bank, N.A.

EXHIBIT A
TO
LETTER AMENDMENT NO. 5

June ___, 2001

To Citicorp North America, Inc., as Agent
Citibank, N.A.
Ciesco, L.P. and
Corporate Receivables Corporation

POLYONE CORPORATION

Ladies and Gentlemen:

I furnish this opinion to you pursuant to Section 5(d) of Letter Amendment No. 5 dated as of June 22, 2001 (the "Amendment") among PolyOne Corporation (the "Seller"), Ciesco, L.P., Corporate Receivables Corporation, Citibank, N.A. and Citicorp North America, Inc., as Agent. Each term defined in the Amendment, when used herein, shall have the meaning therein defined.

As counsel of the Seller, I and/or attorneys under my supervision have examined:

1. The Amendment;
2. The Agreements;
3. The documents furnished by the Seller pursuant to Section 5 of the Amendment;
4. The Certificate of Incorporation of the Seller and all amendments thereto (the "Charter"); and
5. The by-laws of the Seller and all amendments thereto (the "By-Laws").

As to questions of fact material to such opinion, I have, in the case of relevant facts not independently established by me, relied upon certificates of the Seller or its officers or of public officials. I have assumed the due execution and delivery, pursuant to due authorization, of the agreements by all parties other than the Seller. I have also examined such other documents and records and have made such investigation of law, as I deem necessary and relevant to form a basis for this opinion.

I have qualified and remain qualified to practice law in the State of Ohio and I do not express an opinion on any laws other than the laws of the State of Ohio, and the Federal laws of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I opine as follows:

1. The Seller has duly incorporated under the laws of the State of Ohio, and remains duly incorporated and validly exists as a corporation in good standing under the laws of the State of Ohio. The Seller has qualified to do business and remains qualified to do business, and has achieved good standing status and remains in good standing, in every jurisdiction where the nature of the Seller's business requires that the Seller so qualify, except where the failure to so qualify would not have a material adverse effect on the Seller.

2. The due execution, delivery, and performance by the Seller of the Amendment, and the Agreements as amended by the Amendment, all lie wholly within Seller's corporate powers, have received due authorization by all necessary corporate action, and (a) do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Seller or (iii) any contractual or legal restriction applicable to Seller, and (b) do not result in or require the creation of any Adverse Claim (other than pursuant to the Agreements as amended by the Amendment) upon or with respect to any of the Seller's properties. The Seller has duly executed and delivered the Amendment.

I have provided the above opinions solely for your use with respect to matters pertaining specifically to Seller in the above-described transaction and no other person may reproduce, file publicly or rely upon the same for any purpose whatsoever without the express written consent of the undersigned. I express the opinions set forth herein as of the date hereof and no undertaking exists to advise you of any change that may subsequently come to my attention in the facts and/or legal conclusions upon which I base such opinions.

Very truly yours,

EXHIBIT 10.26a

EXECUTION COPY

AMENDMENT, WAIVER AND CONSENT NO. 4 TO THE
FIVE-YEAR CREDIT AGREEMENT

Dated as of March 28, 2002

AMENDMENT, WAIVER AND CONSENT NO. 4 TO THE FIVE-YEAR CREDIT AGREEMENT among POLYONE CORPORATION, an Ohio corporation (the "Company"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and CITICORP USA, INC., as administrative agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, the Lenders and the Agent have entered into a Five-Year Credit Agreement dated as of October 30, 2000, the Letter Waiver thereto dated as of March 31, 2001, Amendment No. 1 dated as of March 31, 2001, the Letter Waiver dated as of September 30, 2001, Amendment No. 2 dated as of November 21, 2001 and Amendment No. 3 dated as of January 17, 2002 (such Credit Agreement, as so modified, the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Company and the Lenders have agreed to amend the Credit Agreement and the other Loan Documents (as hereinafter defined) as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended in full to read as set forth in Exhibit A hereto (the Restated Credit Agreement).

SECTION 2. Waiver. The Lenders hereby waive compliance with Section 5.03(b) of the Credit Agreement for the fiscal quarter ending March 31, 2002.

SECTION 3. Amendments to the Security Agreement. The Security Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended by:

(i) releasing all Collateral granted by Burton Rubber Company therefrom and deleting all references therein to "Burton Rubber Company".

(ii) releasing all Security Collateral consisting of equity interests in Burton Rubber Company.

(iii) restating Section 1(d)(ii) in its entirety to read as follows:

all additional shares of stock issued by the corporations named in Schedule I hereto from time to time acquired by such Grantor in any manner other than shares of stock pledged by such Grantor pursuant to the Shared Pledge Agreement dated as of January 25, 2002 in favor of State Street Bank and Trust Company, N.A., as corporate trustee, and Angelita Pena, as individual trustee (such additional shares together with the Initial Pledged Shares, being the "Pledged Shares"), and the certificates, if any, representing such additional shares, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or

otherwise distributed in respect of or in exchange for any or all of such shares and all subscription warrants, rights or options issued thereon or with respect thereto;

(iv) deleting the phrase "Transaction Documents" from the last sentence of Section 6(m)(v) and substituting therefor the phrase "Loan Documents".

SECTION 4. Amendments to the Subsidiary Guaranty. The Subsidiary Guaranty is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended by releasing the Subsidiary Burton Rubber Company therefrom and deleting all references therein to "Burton Rubber Company".

SECTION 5. Amendments to the Collateral Trust Agreement. The Collateral Trust Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended as follows:

(i) Section 1.01 is amended by adding the following definitions in the correct alphabetical order:

"PolyOne Indenture " means the Indenture dated on or before May 31, 2002 between PolyOne and the trustee named therein, (as amended, modified, extended, renewed, replaced, restated or supplemented from time to time pursuant to the terms thereof) for the Senior Notes (2002).

"Senior Notes (2002)" means the senior unsecured notes issued pursuant to the PolyOne Indenture in an aggregate principal amount of not less than $200,000,000.

(ii) The definition of "Existing Indebtedness Agreements" is amended in full to read as follows:

"Existing Indebtedness Agreements" means Existing Indebtedness Agreements as defined in the Preliminary Statements, the Senior Notes (2002), the PolyOne Indenture and each agreement and instrument delivered by the Company pursuant to any of the foregoing, as the same may be supplemented, amended or modified from time to time in accordance with the provisions thereof.

(iii) Section 2.01 is amended by adding after the phrase "Collateral Trigger" at the beginning of the first sentence thereof and after the phrase "Collateral Trigger" at the beginning of the second sentence thereof, the phrase "and subject to Section 4.09 hereof".

(iv) Section 4.09 is amended by adding after the phrase "Credit Agreement" at the end of the first sentence thereof, the phrase "if and only if the Secured Obligations under the Credit Agreement exceed the lowest threshold stipulated in the lien covenants of the Existing Indebtedness Agreements."

SECTION 6. Amendments to the Real Estate Collateral Trust Agreement. The Real Estate Collateral Trust Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended as follows:

(i) Section 1.01 is amended by adding the following definitions in the correct alphabetical order:

"PolyOne Indenture " means the Indenture dated on or before May 31, 2002 between PolyOne and the trustee named therein, (as amended, modified, extended, renewed, replaced, restated or supplemented from time to time pursuant to the terms thereof) for the Senior Notes (2002).

"Senior Notes (2002)" means the senior unsecured notes issued pursuant to the PolyOne Indenture in an aggregate principal amount of not less than $200,000,000.

(ii) The definition of "Existing Indebtedness Agreements" is amended in full to read as follows:

"Existing Indebtedness Agreements" means Existing Indebtedness Agreements as defined in the Preliminary Statements and the Senior Notes (2002), the PolyOne Indenture and each agreement and instrument delivered by the Company pursuant to any of the foregoing, as the same may be supplemented, amended or modified from time to time in accordance with the provisions thereof.

(iii) Section 2.01 is amended by adding after the phrase "Collateral Trigger" at the beginning of the first sentence thereof and after the phrase "Collateral Trigger" at the beginning of the second sentence thereof, the phrase "and subject to Section 4.09 hereof".

(iv) Section 4.09 is amended by adding after the phrase "Credit Agreement" at the end of the first sentence thereof, the phrase "if and only if the Secured Obligations under the Credit Agreement exceed the lowest threshold stipulated in the lien covenants of the Existing Indebtedness Agreements."

SECTION 7. Amendments to the Intellectual Property Security Agreement. The Intellectual Property Security Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended by releasing the Collateral of Burton Rubber Company therefrom and deleting all references therein to "Burton Rubber Company".

SECTION 8. Amendments to the Shared Collateral Pledge Agreement. The Shared Collateral Pledge Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby amended by restating Section 1(a)(ii) in its entirety to read as follows:

all additional shares of stock issued by the corporations o named in Schedule I hereto from time to time acquired by the Grantor in any manner other than shares of stock pledged by the Grantor pursuant to the Security Agreement dated as of January 25, 2002 in favor of State Street Bank and Trust Company, N.A., as corporate trustee, and Angelita Pena, as individual trustee (such additional shares together with the Initial Pledged Shares, being the "Pledged Shares"), and the certificates, if any, representing such additional shares, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares and all subscription warrants, rights or options issued thereon or with respect thereto;

SECTION 9. Termination of Charge Agreement. The Charge Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 11, hereby terminated.

SECTION 10. Amendments to the Receivables Intercreditor Agreement. By executing this Amendment, the Required Lenders hereby authorize the Agent to enter into an amendment to the Receivables Intercreditor Agreement, to include (a) limitations on the exercise of remedies related to the pledge of capital stock and subordinated promissory note of PolyOne Funding Corporation until 90 days after the obligations under the Receivables Financing have been paid in full and (b) amendments thereto giving effect to, and subordinating the Lien of the Agent and the Lenders to, the restructuring of the Receivables Financing.

SECTION 11. Conditions to Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, on or before March 28, 2002 the Agent shall have received (a) an amendment fee, for the account of the Lenders approving this Amendment in an amount equal to 0.30% of their respective Commitments, (b) counterparts of this Amendment executed by the Company and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment, and (c) in sufficient copies for each Lender, in form and substance satisfactory to the Agent:

(i) Certified copies of the resolutions of the Board of Directors of the Company evidencing approval for the Mortgages to be granted pursuant to Section 5.01(n) of the Restated Credit Agreement.

(ii) A certificate of the Secretary or an Assistant Secretary of the Company certifying (A) the names and true signatures of the officers of the Company authorized to sign this Amendment and the other documents to be delivered hereunder, (B) that no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body, or any third party to any agreements and instruments is required for the due execution, delivery or performance by the Company of each Collateral Document to which it is to be a party, (C) the representations and warranties contained in Section 12 are correct on and as of the date of such certificate as though made on and as of such date, and (D) no event has occurred and is continuing that constitutes a Default.

(iii) Favorable opinion of senior legal counsel for the Company in substantially the form of Exhibit F-1 to the Restated Credit Agreement, with such changes as are appropriate to address the Mortgages to be granted pursuant to this Amendment.

This Amendment is subject to the provisions of Section 9.01 of the Credit Agreement.

SECTION 12. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The representations and warranties contained in the Credit Agreement, as amended hereby, are true and correct in all material respects at and as of the date of this Amendment.

(b) The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated in the recital of parties to this Amendment.

(c) The execution, delivery and performance by the Company of this Amendment, the Credit Agreement and the Notes, as amended hereby, and the consummation of the transactions contemplated hereby are within the Company's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Company's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Company.

(d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Company of this Amendment or the Credit Agreement and the Notes, as amended hereby.

(e) This Amendment has been duly executed and delivered by the Company and is the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms.

(f) To the best of the Company's knowledge, there is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Amendment or the Credit Agreement and the Notes to be delivered by the Company, as amended hereby, and there has been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) to the Credit Agreement.

(g) After giving effect to this Amendment, no Default has occurred and is continuing.

(h) Before and after giving effect to this Amendment, the Borrower is, individually and together with its Subsidiaries, Solvent. "Solvent" means, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

SECTION 13. Reference to and Effect on the Credit Agreement.

(a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement, as specifically amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 14. Costs and Expenses. The Company agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, title insurance premiums and search fees and the reasonable fees

and expenses of counsel for the Agent) in accordance with the terms of Section 9.04 of the Credit Agreement

SECTION 15. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 16. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

POLYONE CORPORATION

By

Title:

CITICORP USA, INC.,
as Agent and as Lender

By

Title:

BANK ONE, MICHIGAN

By

Title:

DEUTSCHE BANK AG NEW YORK BRANCH

By

Title:

By

Title:

KEYBANK NATIONAL ASSOCIATION

By

Title:

ABN AMRO BANK, N.V.

By

Title:

By

Title:

BANK OF AMERICA, N.A.

By

Title:

COMERICA BANK

By

Title:

MELLON BANK, N.A.

By

Title:

JPMORGAN CHASE BANK

By

Title:

NATIONAL CITY BANK

By

Title:

SCOTIABANC, INC.

By

Title:

THE BANK OF NEW YORK

By

Title:

CONSENT

Dated as of March ___, 2002

Each of the undersigned, as a Subsidiary Guarantor under the Subsidiary Guaranty dated as of January 25, 2002 (such Guaranty as amended and supplemented or otherwise modified through the date hereof) in favor of the Secured Parties under the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that (i) each Loan Document to which it is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that on and after the effectiveness of Amendment No. 4, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be reference to the Credit Agreement as amended by this Amendment and (ii) the Collateral described in each Loan Document to which such Guarantor is a party do, and shall continue to, secure the payment of all the Secured Obligations (in each case as defined therein).

POLYONE DISTRIBUTION COMPANY

By

Title:

POLYONE ENGINEERED FILMS, INC.

By

Title:

POLYONE DIAGNOSTICS, INC.

By

Title:

LINCOLN & SOUTHERN RAILROAD CO.

By

Title:

EXHIBIT A
To Amendment No. 4

Restated Credit Agreement

EXHIBIT 10.26b

FIVE-YEAR CREDIT AGREEMENT

Dated as of October 30, 2000

POLYONE CORPORATION, an Ohio corporation and successor to The Geon Company and M.A. Hanna Company (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, SALOMON SMITH BARNEY INC., as sole lead arranger, DEUTSCHE BANK SECURITIES INC. and BANK ONE, NA, as syndication agents, and CITICORP USA, INC. ("Citicorp"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acceptance" means a bankers' acceptance issued as part of a Competitive Bid Advance.

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or, if such Person is a Borrower, 15%, or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citicorp at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Attention: _____, (b) in the case of Advances denominated in any Foreign Currency, the account of the Local Agent or the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

"Amendment No. 2" means Amendment No. 2 to the Credit Agreement, dated as of November 21, 2001.

"Amendment No. 4" means Amendment, Waiver and Consent No. 4 to the Credit Agreement, dated as of March ___, 2002.

"Amendment No. 2 Effective Date" means the date on which the conditions precedent to the effectiveness of Amendment No. 2 have been satisfied or waived by the Required Lenders.

"Amendment No. 4 Effective Date" means the date on which the conditions precedent to the effectiveness of Amendment No. 4 have been satisfied or waived by the Required Lenders.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means, as of any date of determination, a rate per annum determined by reference to the Performance Level applicable on such date as set forth below:

Performance Level	Applicable Margin for Base Rate Advances	Applicable Margin for Eurocurrency Rate Advances
I	0.000%	0.775%
II	0.500%	1.000%
III	0.500%	1.225%
IV	1.000%	1.525%
V	1.250%	1.750%
VI	1.500%	2.200%
VII	2.000%	2.700%
VIII	2.250%	3.100%

provided, that for the period beginning October 1, 2001 until December 31, 2001, the Applicable Margin shall be determined by reference to Performance Level VI.

"Applicable Percentage" means, as of any date of determination, a rate per annum determined by reference to the Performance Level applicable on such date as set forth below:

Performance Level	Applicable Percentage
I	0.100%
II	0.125%
III	0.150%
IV	0.225%
V	0.250 %
VI	0.300%
VII	0.300%
VIII	0.400%

provided, that for the period beginning October 1, 2001 until December 31, 2001, the Applicable Percentage shall be determined by reference to Performance Level VI.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citicorp USA, Inc. in New York, New York, from time to time, as Citicorp USA, Inc.'s base rate;

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i)1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average

(adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citicorp on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citicorp from three New York certificate of deposit dealers of recognized standing selected by Citicorp, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citicorp with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citicorp for determining the then current annual assessment payable by Citicorp to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citicorp in the United States; and

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

"Borrowed Debt" means Debt described in clauses (a) through (e) of the definition thereof.

"Borrowed Debt/EBITDA Ratio" means, as of any date, the ratio computed by dividing (a) Borrowed Debt of the Company and its Subsidiaries, including their pro rata share of Sunbelt, on a Consolidated basis as of such date by (b) EBITDA of the Company and its Subsidiaries, including their pro rata share of Sunbelt, on a Consolidated basis for the four consecutive fiscal quarters of the Company most recently ended as of such date; provided that clause (b) of this definition shall be calculated to include the EBITDA for such period of four consecutive fiscal quarters of any business acquired by the Company or its Subsidiaries during such period. The Borrowed Debt/EBITDA Ratio shall be determined as of the date on which the Company delivers to the Agent a Consolidated balance sheet of the Company and its Subsidiaries as of the end of a fiscal quarter and Consolidated statements of income and cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such quarter, duly certified (subject to year end audit adjustments) by the chief financial officer or the controller of the Company as having been prepared in accordance with generally accepted accounting principles, together with a certificate of said officer setting forth in reasonable detail the calculations necessary to demonstrate the Borrowed Debt/EBITDA Ratio for the fiscal period then ended.

"Borrower" means the Company or any Designated Subsidiary, as the context requires.

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances or LIBO Rate Advances, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in the Euro, in Frankfurt, Germany) and, if the applicable Business Day relates to any Local Rate Advances on which banks are open for business in the principal financial center of the country of issue of the currency of such Local Rate Advance.

"Capital Expenditures" means, for any Person for any period, the sum of, without duplication, (a) all expenditures made, directly or indirectly, by such Person or any of its Subsidiaries during such period for equipment, fixed assets, real property or improvements, or for replacements or substitutions therefor or additions thereto, that have been or should be, in accordance with GAAP, reflected as additions to property, plant or equipment on a Consolidated balance sheet of such Person or have a useful life of more than one year plus (b) the aggregate principal amount of all Debt (including obligations under Capitalized Leases) assumed or incurred in connection with any such expenditures.

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"Cash Interest Expense" means, for any fiscal period of the Company, interest expense on all Debt of the Company and its Subsidiaries, net of interest income, in accordance with GAAP and including, without limitation, to the extent not otherwise included in accordance with GAAP, (a) interest expense in respect of Debt resulting from Advances, (b) the interest component of obligations under leases that have or should have been or should be, in accordance with GAAP, recorded as capital leases, (c) commissions, discounts and other fees and charges payable in connection with letters of credit issued for the account of the Company or any of its Subsidiaries, (d) the net payment, if any, payable in connection with Hedge Agreements and (e) fees paid pursuant to Section 2.04(a), but excluding, in each case, (w) any amounts accrued or payable in connection with the Receivables Financing, (x) amortization of original issue discount, (y) the interest portion of any deferred payment obligation and (z) other interest not payable in cash.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Trustees for the benefit of the Secured Parties.

"Collateral Account" has the meaning specified in the Security Agreement.

"Collateral Documents" means the Security Agreement, the Mortgages, the Collateral Trust Agreements, the Receivables Intercreditor Agreement and any other agreement that creates or purports to create a Lien in favor of the Agent for the benefit of the Secured Parties.

"Collateral Trigger" means the earlier of the issuance of the Senior Notes (2002) and May 15, 2002.

"Collateral Trust Agreements" has the meaning specified in Section 5.01(l).

"Collateral Trustees" has the meaning specified in the Collateral Trust Agreements.

"Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on the signature pages hereof, (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the Dollar amount set forth in such Assumption Agreement or (C) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.07(g), as such amount may be reduced pursuant to Section 2.05.

"Committed Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of Japan and lawful currency of the European Economic and Monetary Union and all other freely available currencies approved by all Lenders and the Agent.

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the auction bidding procedure described in Section 2.03 and refers to an issue of Acceptances, a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the auction bidding procedure described in Section 2.03.

"Competitive Bid Note" means the promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from the Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means information that any Borrower furnishes to the Agent, the Local Agent, the Sub-Agent or any Lender in a writing designated as confidential or otherwise on a confidential basis if such information otherwise furnished is reduced to a writing designated as confidential within 30 days of the initial disclosure thereof to the Agent, the Local Agent, the Sub-Agent or any Lender, but does not include any such information that is or becomes generally available to the public other than a result of a breach by any of the Agent, the Local Agent, the Sub-Agent or any Lender of its obligations hereunder or that is or becomes available to the Agent or such Lender from a source other than a Borrower or any consultant employed by the Agent to provide technical advice that is not, to the best of the Agent's , Local Agent's, Sub-Agent's or such Lender's knowledge, acting in violation of a confidentiality agreement with any Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit and (g) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to in effect guaranty, any Debt of others of the kinds referred to in clauses (a) through (f) above through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (2) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss or (3) otherwise to assure a creditor against loss; provided, that the term "Debt" shall not include obligations under the Receivables Financing.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Bidder" means (a) an Eligible Assignee or (b) a special purpose corporation that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least "Prime-1" (or the then equivalent grade) by Moody's or "A-1" (or the then equivalent grade) by S&P that, in the case of either clause (a) or (b), (i) shall have become a party hereto pursuant to Section 9.07(d), (e) and (f) and (ii) is not otherwise a Lender.

"Designation Agreement" means a designation agreement entered into by a Lender (other than a Designated Bidder) and a Designated Bidder, and accepted by the Agent, in substantially the form of Exhibit D hereto.

"Designated Subsidiary" means any Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.09.

"Designation Letter" means, with respect to any Designated Subsidiary, a letter in the form of Exhibit E hereto signed by such Designated Subsidiary and the Company.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Dollar Amount" means, with respect to any outstanding Advance on any day (a) the outstanding principal amount of such Advance if it is an Advance denominated in Dollars and (b) the Equivalent in Dollars (determined on the third business Day prior to such day) of (i) the outstanding principal amount of such Advance if it is an Advance denominated in a Foreign Currency or (ii) the aggregate face amount of such Advance if it is an issue of Acceptance.

"Dollars" and the "$" sign each means lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"EBITDA" means, for any period, net income (or net loss) plus the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense, (d) amortization expense (e) non-cash extraordinary or unusual losses deducted in calculating net income and resulting from business rationalizations and facility closures in an aggregate amount from the date hereof not to exceed $50,000,000 less non-cash extraordinary or unusual gains added in calculating net income, provided, that for the calendar year 2001, such amount included in this clause (e) for extraordinary and unusual losses resulting from business rationalizations and facility closures shall include cash charges for such losses in an aggregate amount not to exceed $14,800,000 and (f) from October 1, 2001 through June 30, 2003, cash extraordinary or unusual losses deducted in calculating net income resulting from the Triple Crown restructuring as and when incurred (when received or expensed), rather than on an accrual basis, in each case determined in accordance with GAAP for such period.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 9.07, the Company, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Company nor an Affiliate of the Company shall qualify as an Eligible Assignee.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement arising under any Environmental Law or Environmental Permit or relating to Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to the environment or Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"Equivalent" in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the failure by the Company or any of its ERISA Affiliates to make a payment to a Plan if the conditions for the imposition of a lien under Section 302(f)(1) of ERISA are satisfied; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could reasonably be expected to constitute grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Euro" means the lawful currency of the European Economic and Monetary Union.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per

annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Telerate Markets Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Telerate Markets Page 3750 (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Advance" means a Revolving Credit Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.07(a)(ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advances" has the meaning specified in Section 2.03(a)(i), which Advances shall be denominated in Dollars or in any Foreign Currency.

"Foreign Currency" means any Committed Currency, the lawful currency of Canada and any other lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"GAAP" has the meaning specified in Section 1.03.

"Hazardous Materials" means petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and any other chemicals, materials or substances designated, classified or regulated as being "hazardous" or "toxic" or words of similar import under any federal, state, local or foreign statute, law ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Indebtedness" means Borrowed Debt plus outstanding obligations under the Receivables Financing.

"Information Memorandum" means the information memorandum dated September, 2000 used by the Agent in connection with the syndication of the Commitments.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Coverage Ratio" means, with respect to any fiscal quarter, the ratio of (a) EBITDA of the Company and its Subsidiaries, including, at any time after demand for performance of the Company's guaranty of the obligations of Sunbelt has been made, their pro rata share of Sunbelt, on a Consolidated basis to (b) Cash Interest Expense of the Company and its Subsidiaries, including, at any time after demand for performance of the Company's guaranty of the obligations of Sunbelt has been made, their pro rata share of Sunbelt, on a Consolidated basis, in each case in the aggregate for the period of four consecutive fiscal quarters ended at the end of such fiscal quarter; provided that clause (a) of this definition shall be calculated to include the EBITDA for such period of four consecutive fiscal quarters of any business acquired by the Company or its Subsidiaries during such period.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the applicable Borrower pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three, six or nine months or, if available by all Lenders, twelve months, as such Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) no Borrower may select any Interest Period that ends after the Termination Date;

(ii) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (g) of the definition of "Debt" in respect of such Person.

"Lenders" means the Initial Lenders and each Person that shall become a party hereto pursuant to Section 9.07(a), (b) and (c) and, except when used in reference to a Revolving Credit Advance, a Revolving Credit Borrowing, a Revolving Credit Note, a Commitment or a related term, each Designated Bidder.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) appearing on Dow Jones Markets Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Foreign Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Dow Jones Markets Telerate Page 3750 (or any successor page) is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advances" means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Loan Documents" means this Agreement, the Notes and during the continuance of the Security Period, the Collateral Documents.

"Local Agent" means Citibank Canada or any successor local agent that is a Canadian chartered bank so designated by the Agent.

"Local Rate Advance" means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations, performance or properties of the Company or the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Company or the Company and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of any Borrower to perform its obligations under this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" has the meaning specified in Section 5.01(l).

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any of its ERISA Affiliates and at least one Person other than the Company and its ERISA Affiliates or (b) was so maintained and in respect of which the Company or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means, with respect to any issuance of any Debt or the sale or issuance of any Equity Interests (including, without limitation, any capital contribution) by any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions and (b) the amount of taxes payable in connection with or as a result of such transaction in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person and are properly attributable to such transaction or to the asset that is the subject thereof.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Payment Office" means, for Canadian dollars, such office of the Local Agent and, for any other Foreign Currency, such office of the Sub-Agent, in each case, as shall be from time to time selected by the Agent and notified by the Agent to the Company and the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Performance Level" means, as of any date of determination, the level set forth below as then applicable:

I Borrowed Debt/EBITDA Ratio is less than or equal to 2.75:1.00.

II Borrowed Debt/EBITDA Ratio is greater than 2.75:1.00 but less than or equal to 3.00:1.00.

III Borrowed Debt/EBITDA Ratio is greater than 3.00:1.00 but less than or equal to 3.50:1.00.

IV Borrowed Debt/EBITDA Ratio is greater than 3.50:1.00 but less than or equal to 3.75:1.00.

V Borrowed Debt/EBITDA Ratio is greater than 3.75:1.00 but less than or equal to 4.00:1.00.

VI Borrowed Debt/EBITDA Ratio is greater than 4.00:1.00 but less than or equal to 4.25:1.00.

VII Borrowed Debt/EBITDA Ratio is greater than 4.25:1.00 but less than or equal to 4.99:1.00.

VIII Borrowed Debt/EBITDA Ratio is equal to or greater than 5.00:1.00.

For purposes of this definition, the Performance Level shall be determined as at the end of each fiscal quarter of the Company based upon the calculation of the Debt/EBITDA Ratio for such fiscal quarter. The Applicable Margin shall be adjusted (if necessary) upward or downward as of the first day of each fiscal quarter to reflect the Performance Level as of the last day of the immediately preceding fiscal quarter; provided that if such compliance certificate is delivered after the first day of a fiscal quarter, such adjustment shall be made on the first day following the delivery of such compliance certificate and shall be deemed to have become effective as of the first day of such fiscal quarter.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Receivables Financing" means, collectively, the transactions contemplated by (i) the Fifth Amended and Restated Trade Receivables Purchase and Sale Agreement to be dated on or before April 30, 2002, among PolyOne Funding Corporation, as Seller, PolyOne Corporation, individually and as Collection Agent, Ciesco, L.P., Corporate Receivables Corporation and the other Investors, if any, named therein and Citicorp North America, Inc., as Managing Agent and Agent for the Investors, (ii) the Fourth Amended and Restated Parallel Purchase Commitment to be dated on or before April 30, 2002 among PolyOne Funding Corporation, as Seller, PolyOne Corporation, individually and as Collection Agent, Citibank, N.A., as a Liquidity Bank and Citicorp North America, Inc., as Agent for the Liquidity Banks, (iii) the Receivables Contribution and Sale Agreement to be dated on or before April 30, 2002 between the Originators, as Sellers and PolyOne Funding Corporation, as Buyer and (iv) an Undertaking Agreement to be dated on or before April 30, 2002, entered into by PolyOne Corporation, in favor of the Investors, the Managing Agents, the Liquidity Banks, the Participants and Citicorp North America, Inc., as Agent.

"Receivables Intercreditor Agreement" has the meaning specified in Section 5.01(l).

"Reference Banks" means Citibank, Bank One, NA and Deutsche Bank AG.

"Register" has the meaning specified in Section 9.07(g).

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Restricted Subsidiary" means any U.S. Subsidiary that is a vehicle for holding interests in joint ventures or as to which the pledge of stock would trigger other third party rights.

"Revolving Credit Advance" means an advance by a Lender to a Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of a Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"Secured Parties" has the meaning specified in the Collateral Trust Agreements.

"Security Agreement" has the meaning specified in Section 5.01(l).

"Security Period" means the period, if any, beginning with the occurrence of the Collateral Trigger until the date thereafter, if any, on which the Borrowed Debt/EBITDA Ratio is less than 3.50:1 for any two consecutive fiscal quarters, determined as at the end of a fiscal quarter.

"Senior Notes (2002)" means the senior unsecured notes to be issued pursuant to an Indenture to be dated on or before May 31, 2002, between PolyOne and the trustee named therein, in an aggregate principal amount of not less than $200,000,000.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any of its ERISA Affiliates and no Person other than the Company and its ERISA Affiliates or (b) was so maintained and in respect of which the Company or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SPC" has the meaning specified in Section 8.07(i) hereto.

"Sub-Agent" means Citibank International plc.

"Subsidiary" means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock or the equivalent ownership or controlling interest, in either case having ordinary voting power to elect a majority of the board of directors, managers or trustees thereof (irrespective of whether at the time capital stock (or other evidence of ownership) of any other class or classes of such entity shall or might have the voting power upon the occurrence of any contingency) or (b) the beneficial interest in such trust or estate is at the time owned or controlled directly or indirectly, by the Company, by the Company and one or more of its other Subsidiaries or by one or more of the Company's other Subsidiaries.

"Subsidiary Guarantors" means all Subsidiaries of the Company organized under the laws of the United States or any political subdivision thereof that are not Restricted Subsidiaries and other Subsidiaries as may be agreed, but not including Burton Rubber Company or [PolyOne Funding Corporation].

"Subsidiary Guaranty" has the meaning specified in Section 5.01(l).

"Sunbelt" means Sunbelt Chlor Alkali Partnership, a joint venture between a Subsidiary of the Company and a subsidiary of The Olin Corp. to construct and operate a new chlor alkali plant in McIntosh, Alabama.

"Termination Date" means the earlier of (a) October 30, 2004 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Total Tangible Assets" means total assets other than assets that are considered to be intangible assets under GAAP.

"Type" refers to the distinction between Base Rate Advances and Eurocurrency Rate Advances.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles, as in effect December 31, 2000, consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advances to be denominated in a Committed Currency on the Equivalent in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) not to exceed at any time outstanding such Lender's Commitment; provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate Dollar Amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof (or the Equivalent thereof in any Committed Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrowers may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the applicable Borrower to the Agent (and, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, simultaneously to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before

1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 11:00 A.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the applicable Borrower by depositing such funds into an account of such Borrower maintained with the Agent or the Sub-Agent or to such other account as such Borrower shall designate.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrowers may not select Eurocurrency Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than $10,000,000 or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than five separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be binding on the applicable Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the applicable Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any revocation of such Notice of Revolving Credit Borrowing by such Borrower or failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such revocation or failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the applicable Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate Dollar Amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) Any Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars or Canadian dollars, simultaneously to the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 180 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (F) interest payment date or dates relating thereto, (G) location of such Borrower's account to which funds are to be advanced and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (1) 9:00 A.M. (New York City time) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (2) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (3) 10:00 A.M. (New York City time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in Canadian dollars or Local Rate Advances denominated in Canadian dollars, (4) 10:00 A.M. (London time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency (other than Canadian dollars) or Local Rate Advances denominated in any Foreign Currency (other than Canadian dollars) and (5) 10:00 A.M. (London time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency (other than Canadian dollars). Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on the Borrower giving such notice. Any Notice of Competitive Bid Borrowing by a Designated Subsidiary shall be given to the Agent in accordance with the preceding sentence through the Company on behalf of such Designated Subsidiary. The Agent or the Sub-Agent, as the case may be, shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from such Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent or the Sub-Agent, as the case may be (which shall give prompt notice thereof to such Borrower), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, denominated in Dollars, (C) before 10:00 A.M. (New York City time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in Canadian dollars or Local Rate Advances denominated in Canadian dollars, (D) before 12:00 noon (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency (other than

Canadian dollars) or Local Rate Advances denominated in any Foreign Currency (other than Canadian dollars) and (E) before 12:00 noon (London time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency (other than Canadian dollars), of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts or the Equivalent thereof in Dollars, as the case may be, of such proposed Competitive Bid may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) or the Sub-Agent before 12:00 noon (London time) on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing. Each Lender that offers to make a Competitive Bid Advance denominated in Canadian dollars shall (x) be deemed to have represented and warranted to the applicable Borrower that it is not, and for so long as such Competitive Bid Advance shall remain outstanding it will not become, a non-resident of Canada within the meaning of the Income Tax Act (Canada) and (y) have entered into an Acceptance Agreement in the form of Exhibit H hereto.

(iii) The Borrower proposing the Competitive Bid Borrowing shall, in turn (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 3:00 P.M. (New York City time) on the Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in Canadian dollars or Local Rate Advances denominated in Canadian dollars, (D) before 3:00 P.M. (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency (other than Canadian dollars) or Local Rate Advances denominated in any Foreign Currency and (E) before 3:00 P.M. (London time) on the third Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency (other than Canadian dollars), either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent or to the Sub-Agent, as the case may be, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent or the Sub-Agent, as the case may be, on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent or the Sub-Agent, as the case may be, notice to that effect. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent or the Sub-Agent, as the case may be, that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent or the Sub-Agent, as the case may be, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent or the Sub-Agent, as the case may be, shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by such Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent or the Sub-Agent, as the case may be, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or Canadian dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency (other than Canadian dollars), on the date of such Competitive Bid Borrowing specified in the notice received from the Agent or the Sub-Agent, as the case may be, pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent or the Sub-Agent, as the case may be pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to (x) the Agent in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 9.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars, (y) the Local Agent in the case of a Competitive Bid Borrowing denominated in Canadian dollars, at the applicable Payment Office, in same day funds, such Lender's portion of such Competitive Bid Borrowing denominated in Canadian dollars and (z) in the case of a Competitive Bid Borrowing denominated in a Foreign Currency (other than Canadian dollars), at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent or the Sub-Agent, as the case may be, that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. The Borrower proposing the Competitive Bid Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate Dollar Amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrowers shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, any Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow

under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) Each Borrower that has borrowed through a Competitive Bid Borrowing shall repay to the Agent or, in the case of Competitive Bid Borrowings denominated in a Foreign Currency, to the Sub-Agent, for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. Such Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing (other than by the issuance of Acceptances) shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, such Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender (other than the Designated Bidders) a facility fee on the aggregate amount of such Lender's Commitment from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2000, and on the Termination Date.

(b) Agent's Fees. The Company shall pay to the Agent for its own account such fees as may from time to time be agreed between the Company and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate Dollar Amount of the Competitive Bid Advances then outstanding.

SECTION 2.06. Repayment of Revolving Credit Advances. Each Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance made to it from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, each Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance made to it owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the applicable Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify the applicable Borrower and the Lenders, whereupon (A) the applicable Borrower will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) redenominate such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist; provided that, if the circumstances set forth in clause (ii) above are applicable, the applicable Borrower may elect, by notice to the Agent and the Lenders, to continue such Advances in such Committed Currency for Interest Periods of not longer than one month, which Advances shall thereafter bear interest at a rate per annum equal to the Applicable Margin plus, for each Lender, the cost to such Lender (expressed as a rate per annum) of funding its Eurocurrency Rate Advances by whatever means it reasonably determines to be appropriate. Each Lender shall certify its cost of funds for each Interest Period to the Agent and

the Borrowers as soon as practicable (but in any event not later than ten Business Days after the first day of such Interest Period).

(c) If any Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in a Committed Currency, be redenominated into an Equivalent amount of Dollars and be Converted into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be redenominated into an Equivalent amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended.

(f) If Telerate Markets Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(i) the Agent shall forthwith notify the Borrowers and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, at the option of the Borrowers, be prepaid by the Borrowers or be automatically Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, at the option of the Borrowers, be prepaid by the Borrowers or be automatically redenominated into an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

(g) For the purposes of the Interest Act (Canada) (i) the yearly rate of interest to which any rate of interest payable under this Agreement which is calculated on any basis that is less than a full calendar year is equivalent may be determined by multiplying such rate of interest by a fraction the numerator of which is the actual number of days in the relevant year and the denominator of which is the number of days comprising such other basis of calculation, (ii) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

SECTION 2.09. Optional Conversion of Revolving Credit Advances. Each Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances denominated in Dollars of one Type comprising the same Borrowing into Revolving Credit Advances denominated in Dollars of the other Type; provided, however, that any Conversion of

Eurocurrency Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurocurrency Rate Advances, any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Dollar denominated Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be binding on the Borrower giving such notice. In the case of any Conversion of Base Rate Advances into Eurodollar Rate Advances, the applicable Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any revocation of such notice of Conversion, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be Converted by such Lender as a result of such revocation.

SECTION 2.10. Prepayments of Revolving Credit Advances. (a) Optional. Each Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof or the Equivalent thereof in a Committed Currency (determined on the date notice of prepayment is given) and (y) in the event of any such prepayment of a Eurocurrency Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c). Each notice of prepayment by a Designated Subsidiary shall be given to the Agent through the Company.

(b) Mandatory. (i) If the Agent notifies the Company that, on any interest payment date, the Dollar Amount then outstanding exceeds 105% of the aggregate Commitments of the Lenders on such date, the Borrowers shall, within two Business Days after receipt of such notice, prepay the outstanding principal amount of any Advances owing by the Borrowers in an aggregate amount sufficient to reduce such Dollar Amount to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date.

(ii) The Company shall, on the date of receipt of Net Cash Proceeds from the issuance of the Senior Notes (2002), prepay an aggregate principal amount of any Advances owing by the Borrowers in an amount equal to the amount of such Net Cash Proceeds.

(iii) Each prepayment made pursuant to this Section 2.10(b) shall be made together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance, a LIBO Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the applicable Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(b). The Agent shall give prompt notice of any prepayment required under clause (b)(i) above to the Borrowers and the Lenders.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law) which becomes effective after the date hereof, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Company shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate

such Lender for such increased cost. A certificate as to the amount of such increased cost setting forth the basis thereof in reasonable detail and submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) which becomes effective after the date hereof, there shall be any increase in the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender as a result of or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts setting forth the basis thereof in reasonable detail and submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error. Notwithstanding the foregoing and except in the case of any such law, regulation, guideline or request having retroactive effect, the Company shall not be required to pay to the Agent or any Lender such additional amounts to the extent such amounts relate to periods prior to six months before the Company's receipt of such notice.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency hereunder, (a) each Eurocurrency Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be redenominated into an Equivalent amount of Dollars and be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) Each Borrower shall make each payment hereunder, except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the applicable Agent's Account in same day funds. Each Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances made to it denominated in a Foreign Currency, not later than 11:00 A.M. (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent or, in the case of payments denominated in Canadian dollars, to the Local Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent or the Local Agent, as the case may be, will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent or the Local Agent, as the case may be, shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of such Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of fees shall be made by the Agent on the basis of a year of 360 days and computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent or the Local Agent, as the case may be, shall have received notice from the applicable Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Agent or the Local Agent, as the case may be, may assume that such Borrower has made such payment in full to the Agent or the Local Agent, as the case may be, on such date and the Agent or the Local Agent, as the case may be, may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent or the Local Agent, as the case may be, each Lender shall repay to the Agent or the Local Agent, as the case may be, forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent or the Local Agent, as the case may be, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent or the Local Agent, as the case may be, in respect of such amount in the case of Advances denominated in Foreign Currencies.

SECTION 2.14. Taxes. (a) Any and all payments by any Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its income, and franchise taxes imposed on it in lieu of income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it in lieu of income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) Each Borrower will indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor in reasonable detail.

(d) Within 30 days after the date of any payment of Taxes, each Borrower will furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if the Borrowers determine that no Taxes are payable in respect thereof, the Borrowers shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Company (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Company with two original Internal Revenue Service forms W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments of interest by the Company pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in this Section 2.14 unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8BEN or W-8ECI, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Company and shall not be obligated to include in such form or document such confidential information.

(f) Each Initial Lender hereby confirms as of the Effective Date, and each other Lender confirms as of the effective date of the Assignment and Acceptance pursuant to which it becomes a party hereto, in favor of the Agent that either (i) such Lender is not resident in the United Kingdom and is beneficially entitled to the Advances and the interest thereon or (ii) it is a bank as defined for the purposes of Section 349 of the Income and Corporation Taxes Act of 1988 of the United Kingdom and is beneficially entitled to the Advances and the interest thereon, and each Lender agrees to notify the Agent if there is any change in its position from that set forth in this clause (f).

(g) For any period with respect to which a Lender has failed to provide the Company with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 9.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon notice by any Lender to such Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be evidence of the amount of principal and interest due and payable or to become due and payable from the Borrowers to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrowers or affect the rights of the Lenders under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be available (and the Company agrees that it shall use such proceeds) solely for working capital and general corporate purposes of the Company and its Subsidiaries, provided, however, that unless the Borrowed Debt to EBITDA Ratio is less than 3.50:1, proceeds of the Advances shall not be used for repayment of third-party indebtedness (other than the December 2002 principal installment of debt of Sunbelt of which the Company's ratable share is $6,093,750).

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the

following conditions precedent have been satisfied it being understood and agreed that all of the conditions set forth in this Section 3.01 were satisfied on or about October 30, 2000:

(a) There shall have occurred no Material Adverse Change since December 31, 1999.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto that could reasonably be expected to have a Material Adverse Effect.

(c) The Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Company and its Subsidiaries as they shall have reasonably requested.

(d) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(e) The Company shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(f) The Company shall have paid all invoiced accrued fees and expenses of the Agent and the Lenders (including the invoiced accrued fees and expenses of counsel to the Agent).

(g) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(h) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Inside Counsel of the Company, substantially in the form of Exhibit F hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(i) The Company shall have terminated (or shall simultaneously terminate) the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the $150,000,000 Amended and Restated 364-Day Credit Agreement dated as of May 26, 2000 (the "$150,000,000 Credit Agreement") among The Geon Company, Geon Canada Inc., the lenders and arrangers parties thereto and Citicorp USA, Inc., as administrative agent, (ii) the Credit Agreement dated as of August 16, 1999 (the "Geon Multiyear Credit Agreement") among The Geon Company, the lenders and arrangers parties thereto and Citicorp USA, Inc., as administrative agent, and NationsBank of North Carolina, N.A., as co-agent and (iii) the Multi-Currency Credit and Guaranty Agreement dated as of January 31, 1997 (the "Hanna Credit Agreement") among, M.A. Hanna Company, the lenders parties thereto, Bank of America, N.A., as agent, and Bank of America International, as subagent, and each of the Lenders that is a party to each such credit facility hereby waives, upon execution of this Agreement, the three Business Days' notice required by Section 2.05 of the $150,000,000 Credit Agreement, Section 2.05 of the Geon Multiyear Credit Agreement and Section 2.08(a) of the Hanna Credit Agreement, respectively, relating to the termination of commitments thereunder.

SECTION 3.02. Initial Loan to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.09 is subject to the Agent's receipt on or before the date of such initial Advance of each of the following, in form and substance satisfactory to the Agent and dated such date, and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(a) The Revolving Credit Notes of such Borrower to the order of the Lenders, to the extent requested by any Lender pursuant to Section 2.16.

(b) Certified copies of the resolutions of the Board of Directors of such Borrower (with a certified English translation if the original thereof is not in English) approving this Agreement and the Notes of such Borrower, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(c) A certificate of the Secretary or an Assistant Secretary of such Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the Notes of such Borrower and the other documents to be delivered hereunder.

(d) A certificate signed by a duly authorized officer of such Borrower, dated as of the date of such initial Advance, certifying that such Borrower shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Borrower to execute and deliver this Agreement and the Notes and to perform its obligations thereunder.

(e) The Designation Letter of such Borrower, substantially in the form of Exhibit E hereto.

(f) A favorable opinion of counsel (which may be in-house counsel) to such Borrower, dated the date of such initial Advance, substantially in the form of Exhibit G hereto.

(g) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

SECTION 3.03. Conditions Precedent to Each Revolving Credit Borrowing and Extension Date. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Company of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Company on the date of such Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 and, for each Revolving Credit Borrowing made during a Security Period, in each of the Collateral Documents, are correct on and as of such date, before and after giving effect to such Revolving Credit Borrowing the application of the proceeds therefrom, as though made on and as of such date and additionally, if such Revolving Credit Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.04. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (c) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower proposing the applicable Competitive Bid Advance of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrowers that on the date of such Competitive Bid Borrowing such statements are true):

(i) The representations and warranties contained in Section 4.01 are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(ii) No event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(iii) No event has occurred and no circumstance exists as a result of which the information concerning the Company that has been provided to the Agent and each Lender by the Company in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.05. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the proposed Effective Date,

as notified by the Company to the Lenders, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio.

(b) The execution, delivery and performance by the Company of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Company.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes to be delivered by it.

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Company. This Agreement is, and each of the Notes made by the Company when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms.

(e) (i) The Consolidated balance sheet of the Company and its subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Company and its subsidiaries for the fiscal year then ended, accompanied by an opinion of Ernst & Young LLP, independent public accountants, and the Consolidated balance sheet of the Company and its subsidiaries as at September 30, 2001 and the related Consolidated statements of income and cash flows of the Company and its subsidiaries for the nine months then ended, duly certified by the chief financial officer of the Company, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at September 30, 2001, and said statements of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its subsidiaries as at such dates and the Consolidated results of the operations of the Company and its subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied.

(ii) Since December 31, 2000, there has been no Material Adverse Change.

(f) To the best of the Company's knowledge, there is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) No Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the

Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan.

(i) Neither the Company nor any of its ERISA Affiliates has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(j) Neither the Company nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(k) The operations and properties of the Company and each of its Subsidiaries comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been obtained and are in effect for the operations and properties of the Company and its Subsidiaries, the Company and its Subsidiaries are in compliance in all material respects with all such Environmental Permits, and no circumstances exist that could be reasonably likely to (i) form the basis of an Environmental Action against the Company or any of its Subsidiaries or any of their properties that could have a Material Adverse Effect or (ii) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that could have a Material Adverse Effect.

(l) None of the properties currently or formerly owned or operated by the Company or any of its Subsidiaries is listed or proposed for listing on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("NPL") or on the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency ("CERCLIS") or any analogous state list of sites requiring investigation or cleanup, the listing, or proposed listing of which would be reasonably likely to have a Material Adverse Effect, except as described in the registration statement filed on Form 10-K with the Securities and Exchange Commission, for the period ending December 31, 2001 or, to the best knowledge of the Company, is adjacent to any such property.

(m) Except where noncompliance would not individually or in the aggregate have a Material Adverse Effect (i) neither the Company nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Materials to any location that is listed or proposed for listing on the NPL or on the CERCLIS or any analogous state list, and (ii) all Hazardous Materials generated, used, treated, handled or stored at or transported to or from any property currently or formerly owned or operated by the Company or any of its Subsidiaries have been disposed of in compliance with all Environmental Laws and Environmental Permits,

(n) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets (either of the Company only or of the Company and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or subject to any restriction contained in any agreement or instrument between any Borrower and any Lender or any Affiliate of any Lender relating to Debt and within the scope of Section 6.01(d) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(o) The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE V

COVENANTS OF THE COMPANY

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(j).

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates; provided, however, that the Company and its Subsidiaries may self-insure to the same extent as is consistent with the past practice and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Company nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Company or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Company, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(i) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, the Consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer or the controller of the Company as having been prepared in accordance with generally accepted accounting principles, it being agreed that delivery of the Company's Quarterly Report on Form 10-Q will satisfy this requirement together with a certificate of said officer as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a copy of the annual audit report for such year for the Company and its Subsidiaries, containing the Consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, in each case accompanied by an opinion acceptable to the Required Lenders by Ernst & Young LLP or other "Big Five" independent public accountants, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within five Business Days after the occurrence of each Default continuing on the date of such statement, a statement of an officer of the Company having knowledge of or responsibility for such matters setting forth details of such Default and the action that the Company has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports that the Company sends to any of its securityholders, and copies of all reports and registration statements that the Company or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(v) promptly after the commencement thereof, notice of the commencement and nature of all actions and proceedings before any court, governmental agency or arbitrator affecting the Company or any of its Subsidiaries of the type described in Section 4.01(f);

(vi) promptly and in any event within 10 days after the Company or any of its ERISA Affiliates knows or has reason to know that any ERISA Event has occurred, a statement of an officer of the Company having knowledge of or responsibility for such matters describing such ERISA Event and the action, if any, that the Company or such ERISA Affiliate has taken and proposes to take with respect thereto;

(vii) promptly and in any event within seven Business Days after receipt thereof by the Company or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any such Plan;

(viii) promptly and in any event within 30 days after the receipt thereof by the Company or any of its ERISA Affiliates, a copy of the latest annual actuarial report for each Plan if the ratio of the fair market value of the assets of such Plan to its current liability (as defined in Section 412 of the Internal Revenue Code) is less than 60%;

(ix) promptly and in any event within five Business Days after receipt thereof by the Company or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by the Company or any of its ERISA Affiliates in connection with any event described in clause (A) or (B); and

(x) such other information respecting the condition or operations, financial or otherwise, of the Company or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

(xi) as soon as available and in any event within 20 days after the end of each calendar month other than December, and within 40 days after the end of each December, a certificate of the chief financial officer or the controller of the Company as to compliance with the terms of Section 5.03(c), and setting forth in reasonable detail the calculations necessary to demonstrate such compliance.

(j) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties pursuant to the order of any regulatory authority and generally in accordance with the requirements of all Environmental Laws; provided, however, that neither the Company nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(k) Preparation of Environmental Reports. If an Event of Default shall have occurred and be continuing, at the request of the Agent with respect to any Environmental Action, condition or occurrence that the Agent or the Required Lenders reasonably deem to be material, provide to the Lenders within 90 days after such request, at the expense of the Company, an environmental site assessment report for the properties described in such request, prepared by an environmental consulting firm acceptable to the Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if the Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Agent may retain an environmental consulting firm to prepare such report at the expense of the Company, and the Company hereby grants and agrees to cause any Subsidiary that owns any property described in such request to grant at the time of such request, to the Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants, to enter onto their respective properties to undertake such an assessment.

(l) Condition Subsequent to Amendment No. 2 Effective Date. (X) Within 65 days after the Amendment No. 2 Effective Date (or such later date as may be agreed by the Required Lenders), deliver to the Agent in sufficient copies for each Lender:

(i) A security agreement, securing among other things, the obligations listed on Schedule II hereto, in form and substance satisfactory to the Agent (the "Security Agreement"), duly executed by the Company and each Subsidiary Guarantor, together with evidence of the insurance required by the terms of the Security Agreement.

(ii) A guaranty in form and substance satisfactory to the Agent (the "Subsidiary Guaranty"), duly executed by each Subsidiary Guarantor.

(iii) Deeds of trust and mortgages, in form and substance satisfactory to the Agent and covering the properties listed in Part I of Schedule III hereto (the "Mortgages"), each duly executed by the Company or a Subsidiary Guarantor, as appropriate, together with any other documents or instruments that will be required if the Mortgages are recorded upon the Collateral Trigger, including, without limitation, tax affidavits.

(iv) Agreements in form and substance satisfactory to the Agent and the Required Lenders among the Collateral Trustees named therein, the Company and each Subsidiary Guarantor (the "Collateral Trust Agreements").

(v) An agreement in form and substance satisfactory to the Agent among the Collateral Trustees, the Company, each Subsidiary Guarantor that participates in the Receivables Financing, the Agent and the duly authorized representative of the creditors parties to the Receivables Financing (the "Receivables Intercreditor Agreement").

(vi) Certified copies of (A) the resolutions of the Board of Directors of each Subsidiary Guarantor evidencing approval for the Subsidiary Guaranty and the Collateral Documents to which it is a party and all matters contemplated thereby and (B) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Subsidiary Guaranty and the Collateral Documents to which it is a party and the matters contemplated thereby.

(vii) A certificate of the Secretary or an Assistant Secretary of each Subsidiary Guarantor certifying (A) the names and true signatures of the officers of each Subsidiary Guarantor authorized to sign the Subsidiary Guaranty, the Collateral Documents to which it is a party and the other documents to be delivered hereunder, (B) that no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body, or any third party to any agreements and instruments is required for the due execution, delivery or performance by each Subsidiary Guarantor of the Subsidiary Guaranty or the Collateral Documents to which it is a party.

(viii) Such opinions of counsel as the Agent may request.

(Y) Within 90 days after the Amendment No. 2 Effective Date (or such later date as may be agreed by the Required Lenders), deliver to the Agent in sufficient copies for each Lender, Mortgages covering the properties listed in Part II of Schedule III hereto, each duly executed by the Company or a Subsidiary Guarantor, as appropriate, together with any other documents or instruments that will be required if the Mortgages are recorded upon the Collateral Trigger, including, without limitation, tax affidavits.

(Z) Within 120 days after Amendment No. 2 Effective Date (or such later date as may be agreed by the Required Lenders), deliver to the Agent in sufficient copies for each Lender, a deed of trust or mortgage, in form and substance satisfactory to the Agent and covering the property of the Borrower located in Winchester, State of Virginia, duly executed by the Company or a Subsidiary Guarantor, as appropriate, together with any other documents or instruments that will be required if the Mortgage is recorded upon the Collateral Trigger, including, without limitation, tax affidavits.

(m) Collateral Trigger. (X) Within 30 days after the Collateral Trigger (but if warranted, within 60 days), the Company shall furnish to the Agent in sufficient copies to each Lender:

(i) certificates representing the Pledged Shares referred to in the Security Agreement accompanied by undated stock powers executed in blank and instruments evidencing the Pledged Debt referred to in the Security Agreement indorsed in blank,

(ii) acknowledgment copies of proper financing statements, duly filed on or before such day under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Security Agreement, covering the Collateral described in the Security Agreement,

(iii) completed requests for information, dated on or before such day, listing the financing statements referred to in clause (ii) above and all other effective financing statements filed in the jurisdictions referred to in clause (ii) above that name the Company or any Subsidiary Guarantor as debtor, together with copies of such other financing statements,

(iv) evidence of the completion of all other recordings and filings of or with respect to the Security Agreement and the Charge Agreement, and all other action that the Agent may deem necessary or desirable in order to perfect and protect the liens and security interests created under the Security Agreement, and the Charge Agreement has been taken (including, without limitation, receipt of duly executed payoff letters, UCC-3 termination statements and landlords' and bailees' waiver and consent agreements) that the Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby,

(v) evidence of the insurance required by the terms of the Collateral Documents,

(vi) evidence that counterparts of the Mortgages have been duly recorded on or before such day in all filing or recording offices that the Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the property described therein in favor of the Collateral Trustees for the benefit of the Secured Parties and that all filing, recording and mortgage taxes and fees have been paid, and

(vii) favorable opinions of local counsels with respect to each of the Security Agreement, the Charge Agreement and each of the Mortgages, in form and substance satisfactory to the Agent.

(Y) Within 60 days after the Collateral Trigger (but if warranted, within 90 days), the Company shall furnish to the Agent in sufficient copies to each Lender:

(i) fully paid American Land Title Association Lender's Extended Coverage title insurance policies (the "Mortgage Policies") in form and substance, with endorsements and in amount acceptable to the Agent, issued, coinsured and reinsured by title insurers acceptable to the Agent, insuring the Mortgages to be valid first and subsisting Liens on the property described therein, free and clear of all defects (including, but not limited to, mechanics' and materialmen's Liens) and encumbrances, excepting only Permitted Encumbrances (as defined in the Mortgages), and providing for such other affirmative insurance (including endorsements for future advances under the Credit Agreement and for mechanics' and materialmen's Liens) and such coinsurance and direct access reinsurance as the Agent may deem necessary or desirable,

(ii) American Land Title Association form surveys, dated no more than 30 days before the date of delivery to the Agent, certified to the Agent and the issuer of the Mortgage Policies in a manner satisfactory to the Agent by a land surveyor duly registered and licensed in the States in which the property described in such surveys is located and acceptable to the Agent, showing all buildings and other improvements, any off-site improvements, the location of any easements, parking spaces, rights of way, building set-back lines and other dimensional regulations and the absence of encroachments, either by such improvements or on to such property, and other defects, other than encroachments and other defects acceptable to the Agent,

(iii) engineering, soils and other reports as to the properties described in the Mortgages, in form and substance and from professional firms acceptable to the Agent, and

(iv) such consents and agreements of lessors and other third parties, and such estoppel letters and other confirmations, as the Agent may deem necessary or desirable.

Upon the termination of the Security Period, the security interests shall terminate on and subject to the terms of the Collateral Documents, and the parties shall take such further action all as provided therein.

(n) Conditions Subsequent to Amendment No. 4 Effective Date. (i) Within 60 days after the Amendment No. 4 Effective Date (or such later date as may be agreed by the Required Lenders), issue not less than $200,000,000 principal amount of Senior Notes (2002), the proceeds of which will be used to prepay, first, Advances in accordance with Section 2.10(b), second, the DM 90,000,000 note due 2003 and payable to Deutsche Bank AG and third, amounts outstanding under uncommitted bilateral credit lines.

(ii) Within 30 days after Amendment No. 4 Effective Date (or such later date as may be agreed by the Required Lenders), deliver to the Agent in sufficient copies for each Lender, Mortgages covering the properties listed in Part III of Schedule III, each duly executed by the Company or a Subsidiary Guarantor, as appropriate, together with any other documents or instruments that will be required if the Mortgages are recorded upon the Collateral Trigger, including without limitation, tax affidavits

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) (A) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof (including contracts entered into in connection with major construction projects); (B) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations; (C) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (D) easements, rights of way and other encumbrances on title to real property that do not materially adversely affect the use of such property for its present purposes, provided in each case, that no enforcement, execution, levy or foreclosure proceeding shall have been commenced that is not being contested in good faith and by proper proceedings with appropriate reserves being maintained,

(ii) purchase money Liens upon or in any property acquired or held by the Company or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property, or Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any property other than the property being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this clause (ii) shall not exceed $25,000,000, at any time outstanding.

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) on and after October 1, 2003, other Liens securing Debt in an aggregate principal amount not to exceed $40,000,000 at any time outstanding,

(v) the replacement, extension or renewal of any Lien permitted by clause (iii) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby, and

(vi) Liens, if any, resulting from the documents evidencing the Receivables Financing.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Company may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Company, and except that any Subsidiary of the Company may merge into or dispose of assets to the Company and the Company may merge with any other Person so long as the Company is the surviving corporation, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by generally accepted accounting principles

(d) Intentionally omitted.

(e) Sales, Etc. of Assets. At any time prior to October 1, 2003, sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets that are purported to be the subject of any Collateral Document (whether or not the Collateral Trigger has occurred and is continuing), including, without limitation, pursuant to any sale and leaseback transaction, or grant any option or other right to purchase, lease or otherwise acquire any assets, except:

(i) sales of inventory in the ordinary course of business;

(ii) in a transaction authorized by Section 5.02(b), and

(iii) pursuant to the Receivables Financing.

(f) Investments in Other Persons. At any time after December 31, 2001 that the Borrowed Debt/EBITDA Ratio is equal to or greater than 4.00:1, make, or permit any of its Subsidiaries to make, any Investment in any Person, except:

(i) equity Investments or Investments consisting of intercompany Debt by the Company and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional investments in wholly owned Subsidiaries;

(ii) loans and advances to employees in the ordinary course of the business of the Company and its Subsidiaries as presently conducted; and

(iii) Investments by the Company and its Subsidiaries in deposit accounts maintained in the ordinary course of business; and

(iv) other Investments in an aggregate amount invested not to exceed $25,000,000 during the calendar year 2002 and Investments made during the calendar year 2003 consisting of acquisitions of Techmer, PM, LLC and So.F.teR S.p.a for an aggregate amount not to exceed

$37,000,000; provided that with respect to Investments made under this clause (iv): (1) any newly acquired or organized Subsidiary of the Company or any of its Subsidiaries shall be a wholly owned Subsidiary thereof; (2) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom; (3) any company or business acquired or invested in pursuant to this clause (iv) shall be in the same line of business as the business of the Company or any of its Subsidiaries; (4) immediately after giving effect to the acquisition of a company or business pursuant to this clause (iv), the Company shall be in pro forma compliance with the covenants contained in Section 5.03, calculated based on the financial statements most recently delivered to the Lenders pursuant to Section 5.01(i) and as though such acquisition had occurred at the beginning of the four-quarter period covered thereby, as evidenced by a certificate of the chief financial officer of the Company delivered to the Lenders demonstrating such compliance.

The restrictions of this Section 5.02(f) shall cease to be operative on the earlier of the date that the Borrowed Debt/EBITDA Ratio is less than 3.50:1 for any fiscal quarter and October 1, 2003.

(g) Restricted Payments and Stock Repurchases. At any time after December 31, 2001 that the Borrowed Debt/EBITDA Ratio is greater than or equal to 4.00:1 and until the Borrowed Debt/EBITDA Ratio is less than or equal to 3.50:1 for two consecutive fiscal quarters, declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Company or to issue or sell any Equity Interests therein, except that, so long as no Default shall have occurred and be continuing at the time of any action described in clause (i) or (ii) below or would result therefrom:

(i) the Company may (A) declare and pay dividends and distributions payable only in common stock of the Company, (B) declare and pay cash dividends to its stockholders and purchase, redeem, retire or otherwise acquire shares of its own outstanding capital stock if after giving effect thereto the aggregate amount of such dividends, purchases, redemptions, retirements and acquisitions paid or made after the Amendment No. 2 Effective Date would not exceed $6,000,000 in any fiscal quarter, (C) purchase, redeem, retire, defease or otherwise acquire shares of its own outstanding capital stock with the Net Cash Proceeds received from the exercise of stock options issued by the Company, and (D) purchase shares of its capital stock in connection with the termination of (x) The Geon Company Share Ownership Trust created pursuant to the Trust Agreement dated May 5, 2000 between The Geon Company and W. David Wilson, as trustee, and (y) the M.A. Hanna Associates Ownership Trust created pursuant to the Trust Agreement dated September 12, 1991 between M.A. Company and Wachovia Bank of North Carolina, N.A., as trustee, and

(ii) any Subsidiary of the Company may (A) declare and pay cash dividends to the Company and (B) declare and pay cash dividends to any other wholly owned Subsidiary of the Company of which it is a Subsidiary.

(h) Negative Pledge. At any time prior to October 1, 2003, enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any agreement prohibiting or conditioning the creation or assumption of any Lien upon any of its property or assets except (i) in favor of the Collateral Trustees for the benefit of the Secured Parties or (ii) in connection with (A) any Debt or operating lease outstanding on the Amendment No. 2 Effective Date, (B) any purchase money Debt solely to the extent that the agreement or instrument governing such Debt prohibits a Lien on the property acquired with the proceeds of such Debt, (C) any Capitalized Lease solely to the extent that such Capitalized Lease prohibits a Lien on the property subject thereto or (D) any Debt outstanding on the date any Subsidiary of the Company becomes such a Subsidiary (so long as such agreement was not entered into solely in contemplation of such Subsidiary becoming a Subsidiary of the Company).

(i) Capital Expenditures. At any time after December 31, 2001 that the Borrowed Debt/EBITDA Ratio is greater than or equal to 4.00:1 and until the Borrowed Debt/EBITDA Ratio is less than or equal to 3.50:1 for two consecutive fiscal quarters, make or permit any of its Subsidiaries to make, Capital Expenditures that would cause the aggregate of all such Capital Expenditures made by the Company and its Subsidiaries in any fiscal quarter to exceed $33,000,000 or in any fiscal year to exceed $88,000,000 plus Investments permitted pursuant to Section 5.02(f).

(j) Foreign Subsidiary Debt. Permit any of its Subsidiaries organized under the laws of any jurisdiction outside the United States to create, incur, assume or suffer to exist, any Debt, other than:

(i) Debt owed to the Company or a wholly owned Subsidiary of the Company,

(ii) Debt existing on Amendment No. 4 Effective Date and described on Schedule 5.02(j) hereto (the "Existing Foreign Subsidiary Debt"), and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, the Existing Debt, provided that the principal amount of such Existing Debt shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing

(iii) unsecured Debt aggregating for all of such Subsidiaries not more than $10,000,000 at anytime outstanding, and

(iv) indorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business,

provided, however, that the provisions of this Section 5.02(j) shall terminate on the earlier of October 1, 2003 and the date that the ratio of Borrowed Debt to EBITDA is less than or equal to 3.50:1 for two consecutive fiscal quarters.

SECTION 5.03. Financial Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Interest Coverage Ratio. Maintain an Interest Coverage Ratio during each fiscal quarter set forth below of not less than the ratio set opposite such fiscal period:

Period	Ratio
Amendment No. 2 Effective Date through September 30, 2002	2.75:1
October 1, 2002 through June 30, 2003	3.00:1
July 1, 2003 and thereafter	4.00:1

(b) Borrowed Debt/EBITDA Ratio. Maintain a Borrowed Debt/EBITDA Ratio during each fiscal quarter set forth below of not more than the ratio set opposite such fiscal period:

Period	Ratio
From April 1, 2002 through June 30, 2002	5.70 to 1
From July 1, 2002 through September 30, 2002	5.50 to 1
From October 1, 2002 through December 31, 2002	5.25 to 1
From January 1, 2003 through March 31, 2003	4.75 to 1
From April 1, 2003 through June 30, 2003	4.25 to 1
From July 1, 2003 through September 30, 2003	4.00 to 1
From October 1, 2003 and thereafter	3.50 to 1

(c) Ratio of Tangible Assets to Indebtedness. Maintain a Ratio of Tangible Assets to Indebtedness at all times equal or in excess of 1.00:1.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay any principal of any Advance when the same becomes due and payable; or any Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Borrower herein or by any Borrower (or any of its officers) in connection with this Agreement or by any Designated Subsidiary in the Designation Letter pursuant to which such Designated Subsidiary became a Borrower hereunder shall prove to have been incorrect in any material respect when made; or

(c) (i) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d), (i)(iii), 5.02 or 5.03, or (ii) the Company shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Company by the Agent or any Lender; or

(d) The Company or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or notional amount of at least $20,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Company or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Judgments or orders for the payment of money in excess of $20,000,000 in the aggregate shall be rendered against the Company or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any non-monetary judgment or order shall be rendered against the Company or any of its Subsidiaries that could be reasonably expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Company (or other securities convertible into such Voting Stock) representing 33-1/3% or more of the combined voting power of all Voting Stock of the Company; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Company shall cease for any reason (other than due to death, disability or voluntary retirement) to constitute a majority of the board of directors of the Company (except to the extent that individuals who at the beginning of such 24-month period were replaced by individuals (x) elected by 50% of the remaining members of the nominating committee of the board of directors of the Company or (y) nominated for election by a majority of the remaining members of the nominating committee of the board of directors of the Company and thereafter elected as directors by the shareholders of the Company); or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation prior to the Termination Date, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Company; or (iv) except as otherwise permitted by Section 5.02(b), the Company shall cease to own a majority of the Voting Stock of any Designated Subsidiary; or

(i) Any ERISA Event shall have occurred and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of the Plan with respect to which such ERISA Event shall have occurred and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company and its ERISA Affiliates related to any such ERISA Event) has, or is reasonably likely to have, a Material Adverse Effect; or

(j) The Company or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Company and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds US$25,000,000 or requires payments exceeding US$5,000,000 per annum; or

(k) The Company or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding US$20,000,000; or

(l) SECTION 7.01 shall cease to be the valid and enforecable obligation of the company or the company shall so state in writing;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Company, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Company, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by each Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Company or any Designated Subsidiary under the Federal Bankruptcy Code or other applicable bankruptcy statute, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by each Borrower.

ARTICLE VII

GUARANTEE

SECTION 7.01. Unconditional Guarantee. The Company hereby unconditionally and irrevocably guarantees to each Lender and the Agent the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of any Designated Subsidiary now or hereafter existing under this Agreement, whether for principal, interest, fees, expenses, indemnities or otherwise (such obligations, to the extent not paid by any Designated Subsidiary or specifically waived in accordance with Section 9.01, being the "Obligations"), and agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Agent or the Lenders in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Obligations and would be owed by any Designated Subsidiary to the Agent or any Lender under this Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Designated Subsidiary.

SECTION 7.02. Guaranty Absolute. The Company guarantees that the Obligations will be paid strictly in accordance with the terms of this Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Lender or the Agent with respect thereto. The obligations of the Company under this Guaranty are independent of the Obligations, and a separate action or actions may be brought and prosecuted against the Company to enforce this Guaranty, irrespective of whether any action is brought against any Designated Subsidiary or whether any Designated Subsidiary is joined in any such action or actions. The liability of the Company under this Guaranty shall be irrevocable, absolute and unconditional, irrespective of, and the Company hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement,

including, without limitation, any increase in the Obligations resulting from the extension of additional credit to any Designated Subsidiary or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations;

(d) any change, restructuring or termination of the corporate structure or existence of any Designated Subsidiary; or

(e) any other circumstance, (including, without limitation, any statute of limitations to the fullest extent permitted by applicable law or any existence of or reliance on any representation by the Agent or any Lender) that might otherwise constitute a defense available to, or a discharge of, the Company, any Designated Subsidiary or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any of the Lenders or the Agent upon the insolvency, bankruptcy or reorganization of any Designated Subsidiary or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers. (a) The Company hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty, presentment, demand for payment, protest, any requirement that any right or power be exhausted or any action be taken against any Designated Subsidiary or against any other guarantor of all or any portion of the Advances, and all other notices and demands whatsoever.

(b) The Company hereby waives any right to revoke this Guaranty, and acknowledges that this guaranty is continuing in nature and applies to all Obligations, whether existing now or in the future.

(c) The Company acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waivers set forth in this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04. Continuing Guaranty; Assignments. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the cash payment in full of the Obligations and all other amounts payable under this Guaranty and the Termination Date, (b) be binding upon the Company, its successors and assigns, (c) inure to the benefit of and be enforceable by each Lender (including each assignee Lender pursuant to Section 9.07) and the Agent and their respective successors, transferees and assigns and (d) shall be reinstated if at any time any payment to a Lender or the Agent hereunder is required to be restored by such Lender or the Agent. Without limiting the generality of the foregoing clause (c), each Lender may assign or otherwise transfer all or any portion of its rights and obligations hereunder (including, without limitation, all or any portion of its Commitment, the Advances owing to it and any Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as provided in Section 9.07.

SECTION 7.05. Subrogation. The Company will not exercise any rights that it may now or hereafter acquire against any Designated Subsidiary or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Obligations under this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against a Designated Subsidiary or any other insider guarantor or any collateral, 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 a Designated Subsidiary or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and the Termination Date shall have occurred. If any amount shall be paid to the Company in violation of the preceding sentence at any time prior to the later of the

payment in full in cash of the Obligations and all other amounts payable under this Guaranty and the Termination Date, such amount shall be held in trust for the benefit of the Agent and the Lenders and shall forthwith be paid to the Agent to be credited and applied to the Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Company shall make payment to the Agent or any Lender of all or any part of the Obligations, (ii) all the Obligations and all other amounts payable under this Guaranty shall be paid in full in cash and (iii) the Termination Date shall have occurred, the Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Obligations resulting from such payment by the Company. The Company acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waiver set forth in this section is knowingly made in contemplation on such benefits.

ARTICLE VIII

THE AGENT

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (ii) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citicorp and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citicorp shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citicorp in its individual capacity. Citicorp and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citicorp were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. The Lenders (other than the Designated Bidders) agree to indemnify the Agent (to the extent not reimbursed by the Company), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender (other than the Designated Bidders) agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Company. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 8.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party (other than a third party with which a Lender contracts to obtain deposits to fund an Advance with respect to claims arising from such contract).

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent, which successor Agent, so long as no Default has occurred and is continuing, shall be approved by the Company, which approval shall not be unreasonably withheld or delayed. If no successor Agent shall have been so appointed by the Required Lenders in accordance with the immediately preceding sentence, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Local Agent; Sub-Agent. Each of the Local Agent and the Sub-Agent has been designated under this Agreement to carry out duties of the Agent. Each of the Local Agent and the Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Local Agent or the Sub-Agent, as the case may be, and each of the Borrowers and the Lenders agrees that the Local Agent and the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

SECTION 8.08. Other Agents. Each Lender hereby acknowledges that neither the documentation agent, syndication agent nor any other Lender designated as any "Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than the Designated Bidders), do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) release the Company from it obligations under Section 7.01 or otherwise limit the guaranty liability of the Company hereunder, (g) release all or substantially all of the Collateral in any transaction or series of related transactions or permit the creation, incurrence, assumption or existence of any Lien on all or substantially all of the Collateral in any transaction or series of related transactions to secure any obligations other than obligations owing to the Secured Parties under the Loan Documents or (h) amend this Section 9.01; and provided further that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note and (y) no amendment, waiver or consent of Section 9.07(i) shall, unless in writing and signed by each Lender that has granted a funding option to an SPC in addition to the Lenders required above to take such action, affect the rights or duties of such Lender or SPC under this Agreement or any Note.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Company or any Designated Subsidiary, at the address of the Company at 200 Public Square, Cleveland, Ohio 44114, Attention: Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, Suite 200, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Company or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall be effective when received. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the

other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of the Company or any of its Subsidiaries or any Environmental Action relating in any way to the Company or any of its Subsidiaries, in each case of such an investigation, litigation or other proceeding to which the indemnity in this Section 9.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Company, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense resulted from such Indemnified Party's gross negligence or willful misconduct. Each Borrower also agrees not to assert any claim against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, for special or indirect damages arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(i) Each Indemnified Party shall, promptly after becoming aware of any actual or threatened action or claim against such Indemnified Party in respect of which indemnification may be sought against the Company pursuant to this Section 9.04(b), notify the Company in writing of such action or claim. In case any such action shall be brought against any Indemnified Party and such Indemnified Party shall notify the Company of the commencement thereof, the Company may participate therein or assume the defense thereof and after notice from the Company to such Indemnified Party of an election so to assume the defense thereof, such Indemnified Party shall cooperate fully, completely and promptly in the defense thereof, including without limitation, the settlement of outstanding claims, and the Company will not be liable to such Indemnified Party under this Section 9.04(b) for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation incurred with the consent of the Company, which consent shall not be unreasonably withheld or delayed; provided, however, that unless and until the Company so assumes the defense of any such action, the Company shall have the right to participate at its own expense in the defense of any such action to which it is a party. If the Company shall not have so assumed the defense of any such action or if any Indemnified Party shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of such Indemnified Party), legal and other expenses incurred by such Indemnified Party shall be borne by the Company; provided that the Company shall be liable only for the expenses of a single legal counsel for all Indemnified Parties in connection with any single action. Notwithstanding the foregoing, the Company shall not be liable for any settlement of any action or claim effected without its consent.

(ii) The Company will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification has been sought hereunder (whether or not an Indemnified Party is a party to such claim, action, suit or proceeding) without the prior written consent of the Agent, unless such settlement, compromise or consent includes an unconditional release of the Agent and each Indemnified Party from all liability arising from such claim, action, suit or proceeding.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance, LIBO Rate Advance or Local Rate Advance is made by any Borrower to or for the account of a Lender (i) other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment

of rights and obligations under this Agreement pursuant to Section 9.07 as a result of a demand by the Company pursuant to Section 9.07(a) or (ii) as a result of a payment or Conversion pursuant to Section 2.08, 2.10 or 2.12, such Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or redenominate in the case of Section 2.08 or 2.12, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. If the amount of the Committed Currency purchased by any Lender in the case of a Conversion or redenomiation of Advances in the case of Section 2.08 or 2.12 exceeds the sum required to satisfy such Lender's liability in respect of such Advances, such Lender agrees to remit to the Company such excess.

(d) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 9.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time that payment owed to such Lender is not made by any Borrower to the Agent when due and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of such Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify such Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments, Designations and Participations. (a) Each Lender (other than the Designated Bidders) may and, if demanded by the Company (following a demand by such Lender pursuant to Section 2.11 or 2.14) upon at least 20 Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Company pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the

Borrowers or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of $3,500 payable by the parties to each such assignment, provided, however, that in the case of each assignment made as a result of a demand by the Company, such recordation fee shall be payable by the Company except that no such recordation fee shall be payable in the case of an assignment made at the request of the Company to an Eligible Assignee that is an existing Lender, and (vii) any Lender may, without the approval of the Company and the Agent, assign all or a portion of its rights to any of its Affiliates. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Section 2.11, 2.14 and 9.04 to the extent any claim thereunder relates to an event arising prior such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company.

(d) Each Lender (other than the Designated Bidders) may designate one or more banks or other entities to have a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03; provided, however, that (i) no such Lender shall be entitled to make more than three such designations, (ii) each such Lender making one or more of such designations shall retain the right to make Competitive Bid Advances as a Lender pursuant to Section 2.03, (iii) each such designation shall be to a Designated Bidder and (iv) the parties to each such designation shall execute and deliver to the Agent, for its acceptance and recording in the Register, a Designation Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Designation Agreement, the designee thereunder shall be a party hereto with a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03 and the obligations related thereto.

(e) By executing and delivering a Designation Agreement, the Lender making the designation thereunder and its designee thereunder confirm and agree with each other and the other parties hereto as follows: (i) such Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such designee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Designation Agreement; (iv) such designee will, independently and without reliance upon the Agent, such designating Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such designee confirms that it is a Designated Bidder; (vi) such designee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such designee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(f) Upon its receipt of a Designation Agreement executed by a designating Lender and a designee representing that it is a Designated Bidder, the Agent shall, if such Designation Agreement has been completed and is substantially in the form of Exhibit D hereto, (i) accept such Designation Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(g) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assumption Agreement, each Assignment and Acceptance and each Designation Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders, with respect to Lenders other than Designated Bidders, and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company, any other Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(h) Each Lender may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Company, each other Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(i) Each Lender may grant to a special purpose funding vehicle (an "SPC") the option to fund all or any part of any Advance that such Lender is obligated to fund under this Agreement (and upon the exercise by such SPC of such option to fund, such Lender's obligations with respect to such Advance shall be deemed satisfied to the extent of any amounts funded by such SPC); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and

directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (iv) any such option granted to an SPC shall not constitute a commitment by such SPC to fund any Advance, (v) neither the grant nor the exercise of such option to an SPC shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including, without limitation, its obligations under Section 2.09) (vi) the SPC shall be bound by the provisions of Section 9.08 and (vii) no SPC shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, nor any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such grant of funding option. Each party to this Agreement hereby agrees that no SPC shall be liable for any indemnity or payment under this Agreement for which a Lender would otherwise be liable. Subject to the foregoing provisions of this clause (f), an SPC shall have all the rights of the granting Lender. An SPC may assign or participate all or a portion of its interest in any Advances to the granting Lender or to any financial institution providing liquidity or credit support to or for the account of such SPC without paying any processing fee therefor and, in connection therewith may disclose on a confidential basis any information relating to the Borrower to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such SPC. In furtherance of the foregoing, each party hereto agrees (which agreements shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof.

(j) Any Lender may, in connection with any assignment, designation, participation or grant of funding option or proposed assignment, designation, participation or grant of funding option pursuant to this Section 9.07, disclose to the assignee, designee, participant or SPC or proposed assignee, designee, participant or SPC, any information relating to any Borrower furnished to such Lender by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee, designee, participant or SPC or proposed assignee, designee, participant or SPC shall agree to preserve the confidentiality of any Confidential Information relating to any Borrower received by it from such Lender.

(k) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Confidentiality. Neither the Agent nor any Lender or SPC shall disclose any Confidential Information to any other Person without the consent of the Company, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 9.07(j), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, (c) to any rating agency when required by it, provided that, prior to any such disclosure such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Company received by it from such Lender, (d) in connection with any legal proceedings to which such Person is a party, and then only on a confidential basis and (e) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

SECTION 9.09. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit D hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement and the Notes of any Designated Subsidiary then, so long as at the

time no Notice of Revolving Credit Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly, and only upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.10. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12. Currency Conversion for Judgments. (a) If for purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citicorp's principal office in London at 11:00 A.M. (London time) on (i) the later of the Business Day preceding that on which judgment is rendered and (ii) if such judgment is appealed, the Business Day or which such judgment is upheld.

(b) If for purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citicorp's principal office in London at 11:00 A.M. (London time) on the later of (i) the Business Day preceding that on which judgment is rendered and (ii) if such judgment is appealed, the Business Day on which such judgment is upheld.

(c) The obligation of each Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, each Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to such Borrower such excess.

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Borrower hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon the Company at 200 Public Square, Cleveland, Ohio 44114, Attention: Secretary. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. To the extent that any Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in

aid of execution, execution or otherwise) with respect to itself or its property, such Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.14. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in good faith consultation with the Company) to be necessary to reflect the change in currency and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred.

SECTION 9.15. Waiver of Jury Trial. Each of the Company, each other Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

POLYONE CORPORATION

By

Title:

CITICORP USA, INC.,
as Agent

By

Title:

Commitment	Initial Lenders
$27,500,000	CITICORP USA, INC.
	By --- Title:
$26,250,000	BANK ONE, MICHIGAN
	By --- Title:
$26,250,000	DEUTSCHE BANK AG, NEW YORK BRANCH
	By --- Title:
	By --- Title:

$20,000,000 KEYBANK NATIONAL ASSOCIATION

By

Title:

$12,500,000 ABN AMRO BANK N.V.

By

Title:

$12,500,000 BANK OF AMERICA, N.A.

By

Title:

$12,500,000 COMERICA BANK

By

Title:

$12,500,000 MELLON BANK, N.A.

By

Title:

$12,500,000 JP MORGAN CHASE BANK

By

Title:

$12,500,000 NATIONAL CITY BANK

By

Title:

$12,500,000	SCOTIABANC, INC. By --- Title:
$12,500,000	THE BANK OF NEW YORK By --- Title:
$200,000,000	Total of the Commitments

SCHEDULE I
POLYONE CORPORATION
FIVE-YEAR CREDIT AGREEMENT
APPLICABLE LENDING OFFICES

Name of Initial Lender	Domestic Lending Office	Eurocurrency Lending Office
Citicorp USA, Inc.	Two Penns Way, Suite 200 New Castle, DE 19720 Attn: Pam Cole T: 302 894-6016 F: 302 894-6120	Two Penns Way, Suite 200 New Castle, DE 19720 Attn: Pam Cole T: 302 894-6016 F: 302 894-6120
ABN Amro Bank N.V.	208 South LaSalle Street Suite 1501 Chicago, IL 60603 Attn: Tom Thiakos T: 312 992-5119 F: 312 992-5111	208 South LaSalle Street Suite 1501 Chicago, IL 60603 Attn: Tom Thiakos T: 312 992-5119 F: 312 992-5111
Bank of America, N.A.	1850 Gateway Blvd. CA4-706-05-11 Concord, CA 94520-3282 Attn: Curtis Laney T: 925 675-8398 F: 888 969-9252 With copies of notices to: 335 Madison Avenue 5th Floor New York, NY 10017 Attn: Donald Chin T: 212 503-8453 F: 212 503-7878	1850 Gateway Blvd. CA4-706-05-11 Concord, CA 94520-3282 Attn: Curtis Laney T: 925 675-8398 F: 888 969-9252
The Bank of New York	One Wall Street, 19th Floor New York, NY 10286 Attn: Craig T. Anderson T: 212 635-7834 F: 212 635-7923	One Wall Street, 19th Floor New York, NY 10286 Attn: Craig T. Anderson T: 212 635-7834 F: 212 635-7923
Bank One	611 Woodward Avenue Detroit, MI 48226 Mail Code: MI18074 Attn: Kathy Elliot T: 313 225-1274 F: 313 225-1212	611 Woodward Avenue Detroit, MI 48226 Mail Code: MI18074 Attn: Kathy Elliot T: 313 225-1274 F: 313 225-1212
Comerica Bank	500 Woodward Avenue, MC 3268 Detroit, MI 48226 Attn: Jeffrey Judge T: 313 222-3801 F: 313 222-9514	500 Woodward Avenue, MC 3268 Detroit, MI 48226 Attn: Jeffrey Judge T: 313 222-3801 F: 313 222-9514
Deutsche Bank AG, New York Branch	New York Branch 24th Floor 31 West 52nd Street, MS 2409 New York, NY 10019 Attn: Jean Hannigan T: 212 469-8648 F: 212 469-8701	New York Branch 24th Floor 31 West 52nd Street, MS 2409 New York, NY 10019 Attn: Jean Hannigan T: 212 469-8648 F: 212 469-8701

Name of Initial Lender	Domestic Lending Office	Eurocurrency Lending Office
Keybank National Association	127 Public Square, MC OH-01-27-0606 Cleveland, OH 44114 Attn: Marianne Meil T: 216 689-3549 F: 216 689-4981	127 Public Square, MC OH-01-27-0606 Cleveland, OH 44114 Attn: Marianne Meil T: 216 689-3549 F: 216 689-4981
Mellon Bank, N.A.	Three Mellon Center, Room 1203 Pittsburgh, PA 15259 Attn: Roxanne L. Gray T: 412 234-4769 F: 412 209-6125	Three Mellon Center, Room 1203 Pittsburgh, PA 15259 Attn: Roxanne L. Gray T: 412 234-4769 F: 412 209-6125
JP Morgan Chase Bank	JP Morgan Services, INC 500 Stanton Christiana Road 3-OPS 2 Newark, DE 19713-2107 Attn: Jason Curley Tel: (302)-634-4228 Fax: (302)-634-109660 Wall Street	JP Morgan Services, INC 500 Stanton Christiana Road 3-OPS 2 Newark, DE 19713-2107 Attn: Jason Curley Tel: (302)-634-4228 Fax: (302)-634-109660 Wall Street
National City Bank	1900 E. 9th Street, Loc. #2070 Cleveland, OH 44114 Attn: Robert S. Coleman T: 216 222-9714 F: 216 222-7005	1900 E. 9th Street, Loc. #2070 Cleveland, OH 44114 Attn: Robert S. Coleman T: 216 222-9714 F: 216 222-7005
Scotiabanc, Inc.	600 Peachtree Street N.E. Suite 2700 Atlanta, GA 30308 Attn: Donna Gardner T: 404 877-1559 F: 404 888-8998	600 Peachtree Street N.E. Suite 2700 Atlanta, GA 30308 Attn: Donna Gardner T: 404 877-1559 F: 404 888-8998

SCHEDULE II
POLYONE CORPORATION
FIVE-YEAR CREDIT AGREEMENT

OTHER OBLIGATIONS

Letters Of Credit	$ 26,703,589
Borrowed Debt & Bank Guarantees	$ 67,427,500

Various Hedging Instruments (including those with Lenders and their Affiliates)
(Notional Amount)

SCHEDULE III
POLYONE CORPORATION
FIVE-YEAR CREDIT AGREEMENT

MORTGAGED PROPERTIES

PART I

Facility Name	State
Kennesaw	GA
Macedonia	OH
Burton	OH
Massilon	OH
Seabrook	TX
Kennedale	TX
DeForest	WI

PART II

Facility Name	State
Wynne	AR
Long Beach	CA
Henry	IL
Terre Haute	IN
Pedricktown	NJ
Avon Lake HQ	OH
Avon Lake Mfg	OH
Avon Lake PCC	OH
Lehigh Valley	PA
Dyersburg	TN
Jonesboro	TN
Winchester	VA
Sussex	WI

PART III

Facility Name	State
North Baltimore	OH
Elk Grove	IL
Norwalk	OH
Fort Worth	TX

EXHIBIT A-1 - FORM OF
REVOLVING CREDIT
PROMISSORY NOTE

U.S. $_____ Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances made by the Lender to the Borrower pursuant to the Five-Year Credit Agreement dated as of October 30, 2000 among the Borrower, the Lender and certain other lenders parties thereto, and Citicorp USA, Inc. as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Revolving Credit Advance (i) in Dollars are payable in lawful money of the United States of America to the Agent at its account maintained at 399 Park Avenue, New York, New York 10043, in same day funds and (ii) in any Committed Currency are payable in such currency at the applicable Payment Office in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note, (ii) contains provisions for determining the Dollar Equivalent of Revolving Credit Advances denominated in Committed Currencies and (iii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

[NAME OF BORROWER]

By

Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT A-2 - FORM OF
COMPETITIVE BID
PROMISSORY NOTE

U.S. $_____ Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office (as defined in the Five-Year Credit Agreement dated as of October 30, 2000 among the Borrower, the Lender and certain other lenders parties thereto, and Citicorp USA, Inc., as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on _____, 200_, the principal amount of [U.S.$_____] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: _____% per annum (calculated on the basis of a year of _____ days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of _____ to Citicorp, as agent, for the account of the Lender at the office of Citicorp, at _____ in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) contains provisions for determining the Dollar Equivalent of Competitive Bid Advances denominated in Foreign Currencies and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By

Title:

EXHIBIT B-1 - FORM OF NOTICE OF
REVOLVING CREDIT BORROWING

Citicorp USA, Inc., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Five-Year Credit Agreement, dated as of October 30, 2000 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto and Citicorp USA, Inc., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is _____, 200_.

(ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is $_____][for a Revolving Credit Borrowing in a Committed Currency, list currency and amount of Revolving Credit Borrowing].

[(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is _____ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in subsection (e)(iv) thereof and in subsection (f)(i) thereof) are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and additionally, if the undersigned is a Designated Subsidiary, the representations and warranties contained in its Designation Letter are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Very truly yours,

[NAME OF BORROWER]

By

Title:

EXHIBIT B-2 - FORM OF NOTICE OF
COMPETITIVE BID BORROWING

Citicorp USA, Inc., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Five-Year Credit Agreement, dated as of October 30, 2000 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto and Citicorp USA, Inc., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(A)	Date of Competitive Bid Borrowing	_____
(B)	Amount of Competitive Bid Borrowing	_____
(C)	[Maturity Date] [Interest Period]	_____
(D)	Interest Rate Basis	_____
(E)	Day Count Convention	_____
(F)	Interest Payment Date(s)	_____
(G)	Currency	_____
(H)	Borrower's Account Location	_____
(I)	_____	_____

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and additionally, if the undersigned is a Designated Subsidiary, the representations and warranties contained in its Designation Letter are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and;

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and

(d) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement.

Very truly yours,

[NAME OF BORROWER]

By

Title:

EXHIBIT C - FORM OF
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Five-Year Credit Agreement dated as of October 30, 2000 (as amended or modified from time to time, the "Credit Agreement") among PolyOne Corporation, an Ohio corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citicorp USA, Inc., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Revolving Credit Note[, if any,] held by the Assignor [and requests that the Agent exchange such Revolving Credit Note for a new Revolving Credit Note payable to the order of [the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and] the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement[, respectively,] as specified on Schedule 1 hereto].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned: _____%

Assignee's Commitment: $_____

Aggregate outstanding principal amount of Revolving Credit Advances assigned: $_____

Principal amount of Revolving Credit Note payable to Assignee: $_____

Principal amount of Revolving Credit Note payable to Assignor: $_____

Effective Date*: _____, 200_

[NAME OF ASSIGNOR], as Assignor

By
_____
Title:

Dated: _____, 200_

[NAME OF ASSIGNEE], as Assignee

By
_____
Title:

Dated: _____, 200_

Domestic Lending Office:
[Address]

Eurocurrency Lending Office:
[Address]

- ----------
* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted and Approved this
_____ day of _____, 200_

CITICORP USA, INC., as Agent

By

_____
Title:

Approved this _____ day
of _____, 200_

POLYONE CORPORATION

By

_____
Title:

EXHIBIT D - FORM OF
DESIGNATION AGREEMENT

Dated _____, 200_

Reference is made to the Five-Year Credit Agreement dated as of October 30, 2000 (as amended or modified from time to time, the "Credit Agreement") among PolyOne Corporation, an Ohio corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Citicorp USA, Inc., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Designor") and
_____ (the "Designee") agree as follows:

1. The Designor hereby designates the Designee, and the Designee hereby accepts such designation, to have a right to make Competitive Bid Advances pursuant to Section 2.03 of the Credit Agreement.

2. The Designor makes no representation or warranty and assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto and (ii) the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Designee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Designation Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Designor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is a Designated Bidder; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. Following the execution of this Designation Agreement by the Designor and its Designee, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Designation Agreement (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on the signature page hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, the Designee shall be a party to the Credit Agreement with a right to make Competitive Bid Advances as a Lender pursuant to Section 2.03 of the Credit Agreement and the rights and obligations of a Lender related thereto.

6. This Designation Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

7. This Designation Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Designation Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Designation Agreement.

IN WITNESS WHEREOF, the Designor and the Designee have caused this Designation Agreement to be executed by their officers thereunto duly authorized as of the date first above written.

Effective Date*: _____, 200__

[NAME OF DESIGNOR],
as Designor

By
_____
Title:

[NAME OF DESIGNEE],
as Designee

By
_____
Title:

Applicable Lending Office
(and address for notices):
[Address]

Accepted this _____ day
of _____, 200_

CITICORP USA, INC., as Agent

By
_____
Title:

_____

* This date should be no earlier than five Business Days after the delivery of this Designation Agreement to the Agent.

EXHIBIT E - FORM OF DESIGNATION LETTER

[DATE]

To each of the Lenders
parties to the Credit Agreement
(as defined below) and to Citicorp USA, Inc.,
as Agent for such Lenders

Ladies and Gentlemen:

Reference is made to the Five-Year Credit Agreement dated as of October 30, 2000 among PolyOne Corporation (the "Borrower"), certain other borrowers parties thereto, the Lenders named therein, and Citicorp USA, Inc., as Agent for said Lenders (the "Credit Agreement"). Terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement.

Please be advised that the Company hereby designates its undersigned Subsidiary, _____ ("Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lender as follows:

(a) The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of _____. The Designated Subsidiary is duly qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction (other than the jurisdiction of its incorporation) in which the nature of its activities or the character of the properties it owns or leases makes such qualification necessary and in which the failure so to qualify would have a materially adverse effect on the Designated Subsidiary and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement and its Notes are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Designated Subsidiary's charter or by-laws or (ii) any law, rule, regulation or contractual restriction in any material contract or, to the knowledge of the Chief Financial Officer of the Designated Subsidiary, any other contract binding on or affecting the Designated Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement or its Notes.

(d) This Designation Letter is, and the Notes of the Designated Subsidiary when delivered hereunder will be, legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms.

(e) There is no pending or, to the best of the Designated Subsidiary's knowledge, threatened action or proceeding involving the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator, (i) as of the date of this Designation Letter, which is likely to materially adversely affect the financial condition or operations of the Designated Subsidiary and its Subsidiaries taken as a whole or (ii) which purports to affect the legality, validity or enforceability of this Designation Letter, the Credit Agreement or any Note of the Designated Subsidiary.

(f) No proceeds of any Advance will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, other than immaterial quantities of equity securities held in the investment portfolio of a Person whose stock is acquired with the proceeds of such Advance.

(g) The Designated Subsidiary is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) The Designated Subsidiary is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

Very truly yours,

POLYONE CORPORATION

By _____
Title:

[THE DESIGNATED SUBSIDIARY]

By _____
Title:

EXHIBIT F-1- FORM OF
OPINION OF COUNSEL
FOR THE BORROWER

[Effective Date]

To each of the Lenders parties
to the Credit Agreement dated
as of October 30, 2000
among PolyOne Corporation,
said Lenders and Citicorp USA, Inc.,
as Agent for said Lenders, and
to Citicorp USA, Inc., as Agent

PolyOne Corporation

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(h)(iv) of the Five-Year Credit Agreement, dated as of October 30, 2000 (the "Credit Agreement"), among PolyOne Corporation (the "Borrower"), the Lenders parties thereto and Citicorp USA, Inc., as Agent for said Lenders. Terms defined in the Credit Agreement are used herein as therein defined.

We have acted as counsel for the Borrower in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection, we have examined:

(1) The Credit Agreement.

(2) The documents furnished by the Borrower pursuant to Article III of the Credit Agreement.

(3) The [Articles] [Certificate] of Incorporation of the Borrower and all amendments thereto (the "Charter").

(4) The by-laws of the Borrower and all amendments thereto (the "By-laws").

(5) A certificate of the Secretary of State of Ohio, dated _____, 2000, attesting to the continued corporate existence and good standing of the Borrower in that State.

We have also examined the originals, or copies certified to our satisfaction, of the documents listed in a certificate of the chief financial officer of the Borrower, dated the date hereof (the "Certificate"), certifying that the documents listed in such certificate are all of the indentures, loan or credit agreements, leases, guarantees, mortgages, security agreements, bonds, notes and other agreements or instruments, and all of the orders, writs, judgments, awards, injunctions and decrees, that affect or purport to affect the Borrower's right to borrow money or the Borrower's obligations under the Credit Agreement or the Notes. In addition, we have examined the originals, or copies certified to our satisfaction, of such other corporate records of the Borrower, certificates of public officials and of officers of the Borrower, and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Borrower or its officers or of public officials. We have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent.

Our opinions expressed below are limited to the law of the State of [Ohio] and the Federal law of the United States.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio.

2. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction contained in any document listed in the Certificate or, to the best of our knowledge, contained in any other similar document. The Credit Agreement and the Notes have been duly executed and delivered on behalf of the Borrower.

3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Borrower of the Credit Agreement and the Notes.

4. To the best of our knowledge, there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or any of the Notes or the consummation of the transactions contemplated thereby or[, except as described in Exhibit 3.01(d) to the Credit Agreement,] that are likely to have a materially adverse effect upon the financial condition or operations of the Borrower or any of its Subsidiaries.

5. In any action or proceeding arising out of or relating to the Credit Agreement or the Notes in any court of the State of Ohio or in any Federal court sitting in the State of Ohio, such court would recognize and give effect to the provisions of Section 9.09 of the Credit Agreement wherein the parties thereto agree that the Credit Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the generality of the foregoing, a court of the State of Ohio or a Federal court sitting in the State of Ohio would apply the usury law of the State of New York, and would not apply the usury law of the State of Ohio, to the Credit Agreement and the Notes. However, if a court of the State of Ohio or a Federal court sitting in the State of Ohio were to hold that the Credit Agreement and the Notes are governed by, and to be construed in accordance with, the laws of the State of Ohio, the Credit Agreement and the Notes would be, under the laws of the State of Ohio, legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

The opinions set forth above are subject to the following qualifications:

(a) Our opinion in the last sentence of paragraph 5 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally.

(b) Our opinion in the last sentence of paragraph 5 above as to enforceability is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) We express no opinion as to (i) Section 2.14 of the Credit Agreement insofar as it provides that any Lender purchasing a participation from another Lender pursuant thereto may exercise set-off or similar rights with respect to such participation and (ii) the effect of the law of any jurisdiction other than the State of Ohio wherein any Lender may be located or wherein enforcement of the Credit Agreement or the Notes may be sought that limits the rates of interest legally chargeable or collectible.

Very truly yours,

EXHIBIT F-2- FORM OF
OPINION OF COUNSEL
FOR THE BORROWER
RELATED TO THE MORTGAGES

[Effective Date]

To each of the Lenders parties
to the Credit Agreement dated
as of October 30, 2000
among PolyOne Corporation,
said Lenders and Citicorp USA, Inc.,
as Agent for said Lenders, and
to Citicorp USA, Inc., as Agent

PolyOne Corporation

Ladies and Gentlemen:

EXHIBIT G - FORM OF
OPINION OF COUNSEL
TO A DESIGNATED SUBSIDIARY

[Effective Date of Designation Letter]

1. The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the .

2. The execution, delivery and performance by the Designated Subsidiary of the Designation Letter, the Credit Agreement and its Notes are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the organizational documents of the Designated Subsidiary or (ii) any law, rule or regulation applicable to the Designated Subsidiary (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction contained in any indentures, loan or credit agreements, leases, mortgages, security agreements, bonds, notes and other agreements or instruments, or orders, writs, judgments, awards, injunctions and decrees, which materially adversely affect or purport to materially adversely affect the Designated Subsidiary's right to borrow money or the Designated Subsidiary's obligations under the Credit Agreement, its Designation Letter or its Notes. The Designation Letter and each Note of the Designated Subsidiary delivered on the date hereof have been duly executed and delivered on behalf of the Designated Subsidiary.

3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Designated Subsidiary of the Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary.

4. Each of the Designation Letter, the Credit Agreement and the Notes of the Designated Subsidiary are the legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms.

EXHIBIT H - BANKERS'
ACCEPTANCE AGREEMENT

THIS AGREEMENT made as of the _____ day of _____, 200_.

BETWEEN:

_____, a corporation subsisting under the laws of _____, as Borrower

- and -

_____ , a bank subsisting under laws of Canada, as Lender

BACKGROUND:

Pursuant to the Five-Year Credit Agreement dated as October 30, 2000 among PolyOne Corporation, the Borrower, the Lenders party thereto and Citicorp USA, Inc., as Administrative Agent for the Lenders, the Lender may from time to time offer to make a Competitive Bid Borrowing as referred to and defined therein by way of the issuance of bankers' acceptances.

This Agreement is intended to govern the rights and obligations between the Lender and the Borrower in respect of such bankers' acceptances.

NOW THEREFORE in consideration of the covenants in this Agreement and for other consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

- - INTERPRETATION

Definitions

Unless the context otherwise requires, in this Agreement:

"ACCEPTANCE" means a Draft issued by the Borrower and accepted by the Lender as part of a Competitive Bid Borrowing;

"ACCEPTANCE PROCEEDS" means the cash proceeds realized on the issuance and sale of an Acceptance pursuant to this Agreement before deduction of the Stamping Fee;

"APPLICABLE MARGIN" means the Applicable Margin stipulated in the Lender's offer to make the relevant Competitive Bid Advance:

"BA RATE" means the rate of interest per annum stipulated in the Lender's offer to make the relevant Competitive Bid Borrowing as its applicable bankers' acceptance rate;

"CANADIAN DOLLARS" and the symbol "Cdn.$" each means the lawful currency of Canada;

"COMPETITIVE BID ADVANCE" means a Competitive Bid Advance referred to and defined in the Credit Agreement;

"CREDIT AGREEMENT" means the Credit Agreement referred to in the first recital of the background to this Agreement'

"DRAFT" means a blank non-interest bearing bill of exchange within the meaning of the Bills of Exchange Act (Canada), or blank depository bill within the meaning of the Depositary Bills and Notes Act (Canada), as applicable, drawn by the Borrower and addressed to the Lender, made payable to the Borrower, bearer or a clearing house, as the Lender shall require, and bearing such distinguishing letters and numbers and being in such form as the Lender may require;

"OVERDUE AMOUNT" means any amount payable under this Agreement which is not paid when due and includes the face amount of any Acceptance not paid on its maturity date;

"PRIME RATE" means the rate of interest which the Lender establishes and reports to the Bank of Canada from time to time as the reference rate of interest for determination of the interest rates it will charge for loans in Canadian Dollars to its Canadian customers; and

"STAMPING FEE" means the stamping fee payable at the time each Acceptance is issued, calculated and payable in the manner provided for in Section 2.5.

References to Agreements

Each reference in this Agreement to any agreement (including this Agreement and any other defined term that is an agreement) shall be construed so as to include such agreement (including any attached schedules) and each amendment, supplement, amendment and restatement, novation and other modification made to it at or before the time in question.

Headings, etc.

The division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "THIS AGREEMENT", "HEREOF", "HEREUNDER" and similar expressions refer to this Agreement and not to any particular Article, Section, Subsection, paragraph, subparagraph, clause or other portion of this Agreement.

Number and Gender

In this Agreement, words in the singular (including defined terms) include the plural and vice versa (the necessary changes being made to fit the context) and words in one gender include all genders.

- - ISSUING ACCEPTANCES

Competitive Bid Borrowing

If the Lender offers to make a Competitive Bid Advance available to the Borrower by way of an issue of Acceptances, and such offer is accepted by the Borrower in accordance with the provisions of the Credit Agreement, the provisions of this Agreement shall apply to the Acceptances issued pursuant to the Competitive Bid Advance. In its offer to make a Competitive Bid Borrower the Lender must stipulate both its BA Rate applicable to the requested issue of Acceptances and its offered Applicable Margin which will be used to determine the Stamping Fee.

Amount and Term

The term of Drafts must be a period (subject to market availability) of one, two, three or six months ending on or before the Maturity Date referred to and defined in the Credit Agreement. The aggregate face amount of an issue of Drafts to be accepted on any particular borrowing date shall be Cdn.$500,000 or more and be equal to a whole number multiple of Cdn.$100,000. The face amount of each Acceptance shall be a whole number multiple of Cdn.$100,000.

Power of Attorney

In order to facilitate issues of Acceptances pursuant to this Agreement, the Borrower authorizes the Lender, and for this purpose appoints the Lender the lawful attorney of the Borrower, to complete, sign and endorse Drafts on its behalf in handwritten or by facsimile or mechanical signature and, once so completed, signed and endorsed, to accept them as an Acceptance under this Agreement and then purchase, discount or negotiate such Acceptances in accordance with the provisions of this Article Two. Drafts so completed, signed and endorsed and negotiated on behalf of the Borrower shall bind the Borrower as if so performed by an authorized officer of the Borrower.

Discount and Sale of Acceptances

The Lender shall purchase the Acceptances comprised in the Competitive Bid Advance which has been accepted by the Borrower on the requested borrowing date of such Acceptances at the purchase price equal to the face amount of such Acceptances less an amount equal to the amount that yields to the Lender (excluding the Stamping Fee) an interest rate per annum equal to the BA Rate for the applicable term of such Acceptances. The Lender shall pay the Acceptance Proceeds of each issue of Acceptances to the Local Agent on the requested borrowing date in exchange for delivery of such Acceptances. Such Acceptance Proceeds when received by the Local Agent will be advanced by bank transfer to the Borrower in accordance with the provisions of the Credit Agreement.

Stamping Fee

The Stamping Fee is payable by the Borrower to the Lender on the issuance of each Acceptance in Canadian Dollars and shall be calculated upon the fact amount of each such Acceptance for the duration of its term on the basis of the actual number of days to elapse from the date of its Acceptance up to the maturity date of the Acceptance calculated on the basis of a 265 day year at the Applicable Margin. The Lender shall be entitled to deduct from the Acceptance Proceeds to be remitted to the Local Agent pursuant to Section 2.4, the Stamping Fee payable to it as determined in accordance with this Section 2.5.

Payment of Acceptances

The Borrower shall pay the Lender the full face amount of each Acceptance accepted by the Lender on its maturity date.

Waivers

The Borrower shall not claim from the Lender any days of grace for the payment at maturity of any Drafts presented and accepted by the Lender pursuant to this Agreement. In addition the Borrower waives demand, presentment for payment, protest, noting of protest, dishonour, notice of dishonour and any other notice of defence to payment which might otherwise exist if for any reason an Acceptance is held by the Lender in its own right at the maturity thereof.

- - INTEREST CALCULATIONS AND PAYMENTS

Interest on Overdue Amounts

The Borrower shall pay the Lender interest on each Overdue Amount from time to time outstanding at a rate equal to the Prime Rate plus 2% per annum.

Calculations of Interest

Interest payable on each Overdue Amount shall be calculated upon the daily outstanding balance of such Overdue Amount from (and including) its maturity date until (but excluding) the date it is repaid in full, paid in the same currency in which such Overdue Amount is denominated and payable monthly in arrears based upon the actual

number of days elapsed in the relevant period of calculation. Interest payable on each Overdue Amount shall be payable both before demand and judgment at the rate set out in Section 3.1 with interest on overdue interest at the same rate.

The rates of interest per annum payable on or in respect of each Overdue Amount are expressed on the basis of a 365 or 366 day year, as applicable. The rates of interest per annum payable on or in respect of Acceptances are payable on the basis of a 365 day year.

Changes in the Prime Rate will cause an immediate adjustment of interest payable on or in respect of each Overdue Amount outstanding from time to time, without the necessity of any notice to the Borrower.

Interest Act (Canada)

For the purposes of the Interest Act (Canada):

the yearly rate of interest to which the rate of interest per annum payable on or in respect of any Acceptance is equivalent is such rate multiplied by a fraction the numerator of which is the actual number of days in the relevant year and the denominator of which is 365;

the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; and

the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

Evidence of Indebtedness

The Lender shall open and maintain on its books accounts evidencing all Acceptances and all amounts owing by the Borrower to the Lender under this Agreement. The Lender shall enter in the accounts details of all amounts from time to time owing, paid or repaid by the Borrower hereunder. The information entered in the accounts shall constitute, in the absence of manifest effort, prima facie evidence of the existence and quantum of the obligations of the Borrower to the Lender hereunder. The Borrower shall, on reasonable notice to the Lender, be entitled to obtain from the Lender copies of extracts of all entries made in such accounts.

Successors and Assigns

The Lender may only grant participations in Acceptances made by it hereunder or assign all or any part of its rights or obligations hereunder in accordance with the terms and conditions of the Credit Agreement.

Time of the Essence

Time is the essence of each provision of this Agreement.

Governing Law

This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws in force in the Province of Ontario. Such choice of law shall, however, be without prejudice to or limitation of any other rights available to the Lender under the Credit Agreement.

Invalidity

If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

Amendment

This Agreement may only be amended, supplemented, otherwise modified, restated or novated by a written agreement signed by the Borrower and the Lender.

Entire Agreement

There are no representations, warranties, conditions, other agreements or acknowledgements, whether direct or collateral, express or implied, that form part of or affect this Agreement other than as expressed herein or in the Credit Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

_____

By: _____

By: _____

_____

By: _____

By: _____

CONFORMED COPY
AMENDMENTS 1 THROUGH 4

U.S. $200,000,000

FIVE-YEAR CREDIT AGREEMENT

Dated as of October 30, 2000

Among

POLYONE CORPORATION
as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITICORP USA, INC.

as Administrative Agent

and

SALOMON SMITH BARNEY, INC.

as Sole Lead Arranger

and

DEUTSCHE BANK SECURITIES INC. and BANK ONE, NA

as Syndication Agents

TABLE OF CONTENTS

Exhibit 13.1

[GRAPHIC]

Pulling Together.
Emerging stronger.

[PolyOne-LOGO]

2001 Annual Report

"For PolyOne, 2001 was a year of learning, fighting back and progress. We responded with determination to a weak economy and world events, while making great progress in building a solid foundation for our new Company. We are on a mission to prove that customers can rely on us to help them succeed and that shareholders can rely on us for consistent, profitable growth."

-- Thomas A. Waltermire
Chairman, President
and Chief Executive Officer

ABOUT THE COVER

This year's annual report-- "Pulling Together. Emerging Stronger."-- speaks to both the challenges of 2001 and the promise going forward. In the midst of profound internal change, in an economy that severely tested us and our customers, we made significant progress last year to position PolyOne for growth and success. How did we do it? The answer lies in the hundreds of names on our cover and the 8,000 PolyOne men and women worldwide whom they represent. Our people are the real Power of PolyOne.

POLYONE CORPORATION

THE POWER OF POLYONE

1 PERFORMANCE PLASTICS ANNUAL REVENUES $1.8 billion

PLASTIC COMPOUNDS
AND COLORS

- - ANNUAL REVENUES
$1.4 billion (global)

PRODUCTS
Proprietary and custom polymer compounds derived from vinyl and engineering resins and additives; specialty colorant and additive systems

MARKETS
Appliance, automotive, building materials, business equipment, consumer goods, telecommunications

PRODUCT END USES
Appliance components, automotive trim, business equipment housing, bottles, pipe fittings, wire and cable insulation, colorants for virtually every plastic application

MANUFACTURING LOCATIONS
20 Centers of Manufacturing Excellence in United States and Canada; also, Mexico, Belgium, Denmark, England, France, Germany, Hungary, Norway, Spain, Sweden, China, Singapore

KNOWN FOR
Proprietary compounds and color technologies
[PICTURE]

SPECIALTY RESINS
AND FORMULATORS

ANNUAL REVENUES
$260 million (global)

PRODUCTS
Emulsion polymer and micro- dispersion specialty resins; vinyl plastisols, powders and inks; latex; rigid and flexible urethane and urethane foams

MARKETS
Appliance, apparel, automotive, flooring, medical, packaging, sports and recreation, toy, industrial

PRODUCT END USES
Air filters; automotive instrument panels; vinyl flooring and carpet backing; appliance and fabric coatings; fan, dishwasher and closet rack coatings; medical examination gloves; footwear; screen printing inks; signage

MANUFACTURING LOCATIONS
United States, England

KNOWN FOR
Specialty resins of high quality and consistency, and unique technical solutions for vinyl plastisol, urethane and latex system applications
[PICTURE]

ENGINEERED FILMS

ANNUAL REVENUES
$165 million

PRODUCTS
Flexible vinyl, thermoplastic olefin (TPO) and thermoplastic urethane (TPU) polymer films, laminates, polyvinyl chloride (PVC)/polyolefin foam laminates, TPO/polyolefin foam laminates

MARKETS
Automotive, medical, office supply, packaging, recreation, building materials

PRODUCT END USES
Automotive instrument panels, door trim panels, armrests, airbag doors and covers, glovebox doors; loose-leaf binder covers; medical blood bags and intravenous sets; hospital inflatable mattresses; pond/pool liners

MANUFACTURING LOCATIONS
United States

KNOWN FOR
Value-added film finishing technologies, including embossing, printing, painting and laminating
[PICTURE]

2 ELASTOMERS AND PERFORMANCE ADDITIVES

ANNUAL REVENUES
$400 million

PRODUCTS/SERVICES
Proprietary and custom thermoset elastomer (rubber) compounds, roller and specialty rubber compounds, elastomer-enhancing colorants and additives, tolling

MARKETS
Aerospace, automotive, building materials, electrical, industrial, medical, sporting goods

PRODUCT END USES
Automobile hoses and belts, footwear, escalator railings, industrial conveyers, wire and cable, printing rollers

MANUFACTURING LOCATIONS
United States, Mexico

KNOWN FOR
Leader in non-tire rubber technology and compounding in North America
[PICTURE]

3 DISTRIBUTION

ANNUAL REVENUES
$460 million

SERVICES
Provider of more than 3,500 grades of engineering and commodity resins from approximately 20 major material suppliers, as well as standard and custom-compounded materials

MARKETS
Custom molders and extruders of applications for automotive, building materials, consumer goods, electrical/electronics, industrial, medical, packaging, wire and cable

DISTRIBUTION LOCATIONS
United States, Canada, Mexico

KNOWN FOR
Responsive delivery, and engineering and technical expertise that provides customers with application and processing support

JOINT VENTURES

- - DH COMPOUNDING COMPANY,
UNITED STATES
Partner: DOW CHEMICAL COMPANY

- - GEON/POLIMEROS ANDINOS, COLOMBIA
Partner: PETROQUIMICA COLOMBIANA S.A.

- - OXY VINYLS, LP, UNITED STATES
Partner: OCCIDENTAL CHEMICAL CORPORATION

- - SO.F.TER S.P.A., ITALY
Partner: SO.F.TER S.P.A.

- - STAR COLOR COMPANY LIMITED, THAILAND
MAJORITY OWNED BY POLYONE

- - SUNBELT CHLOR-ALKALI, UNITED STATES
Partner: OLIN CORPORATION

- - TECHMER, PM, LLC, UNITED STATES
Partner: TECHMER PM

- - TEKNO POLIMER, TURKEY
MAJORITY OWNED BY POLYONE

- - WELVIC AUSTRALIA PTY LTD., AUSTRALIA
Partner: ORICA LIMITED

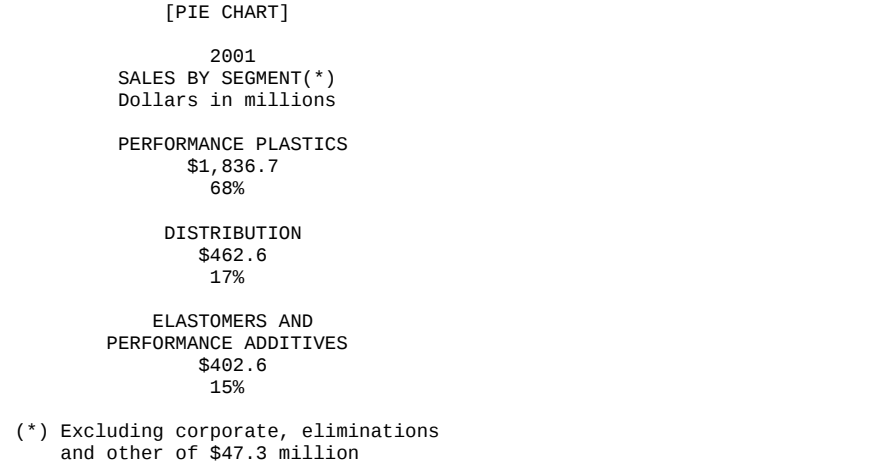
FINANCIAL HIGHLIGHTS

Dollars in millions, except per share data	Year Ended December 31, 2001	2000(3)
Reported Results(1, 2)		
Sales	$ 2,654.6	$ 1,887.8
Employee separation and plant phase-out	36.1	2.8
Operating income (loss)	(17.1)	64.8
Net income (loss)	(46.1)	15.9
Capital expenditures	80.2	62.7
Depreciation and amortization	91.3	57.4
Total debt (year end)	446.1	682.2
Stockholders' equity (year end)	713.4	827.6
Earnings (loss) per share	$ (0.51)	$ 0.26
Weighted-average common shares used to compute diluted earnings per share (in millions)	89.8	62.0
Pro Forma Results(1,2)		
Sales	$ --	$ 3,139.7
Operating income	--	115.5
Net income	--	52.4
Depreciation and amortization	--	101.6
Other data, approximate:		
Number of employees (year end)	8,000	9,000
Employee, management and board member stock ownership	13%	11%
Stockholders (estimated at December 31)	20,000	20,000

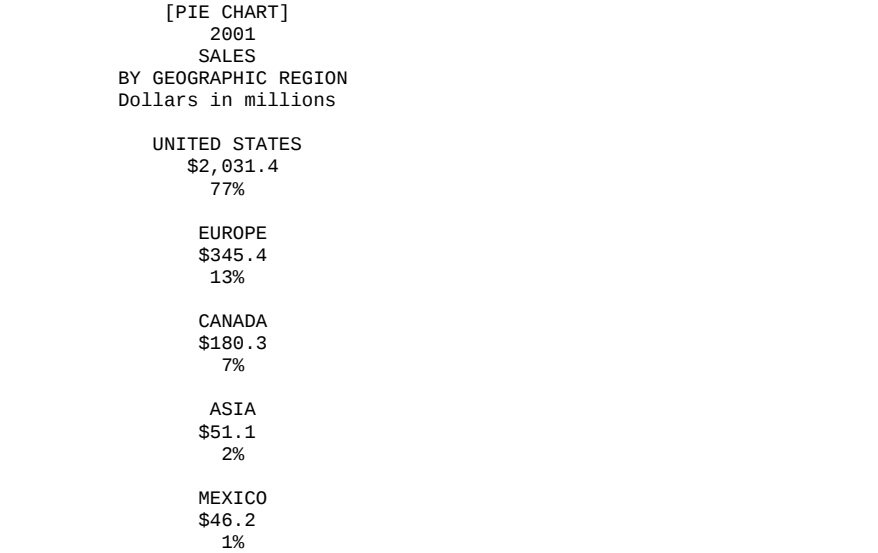
(1) See Management's Analysis beginning on page 6 for a description of the audited reported results and the 2000 pro forma results giving effect to the merger.

(2) Both reported results and pro forma results include special items, which are summarized in the table on page 10.

(3) 2000 represents eight months of Geon and four months of PolyOne.



(*) Excluding corporate, eliminations and other of $47.3 million



TO OUR SHAREHOLDERS

During a recent visit with prospective institutional shareholders, I was asked what has pleased me most since the formation of PolyOne. I thought carefully about my response before I realized that the answer was evident.

Ultimately, I've been most gratified by the energy, perseverance and thirst for success of PolyOne people. Coming together as an integrated organization is daunting enough -- but in our case, integration has been just one of many imperatives. From battling a severe economic recession, to launching a ground-breaking information technology system, to finalizing plans for the upgrade and consolidation of our largest business group, we are proving time and again that PolyOne people can take on major tasks and succeed. We've also shown that we can pull together in adversity to emerge stronger. During 2001, we made significant progress in a very tough year, with the overall goal of positioning ourselves to deliver value to all our partners: our customers, our suppliers and our shareholders.

2001: LAYING A FIRM FOUNDATION

To understand how far we've come, compare the PolyOne of a year ago with the PolyOne of today:

A year ago, our value capture programs totaled $70 million. Today, we are implementing more than $200 million in annual income-improving opportunities that we expect to capture in earnings by 2003. What a journey this has been! When we announced the formation of PolyOne in May 2000, we established an annual savings target of $50 million; now, we are projecting a fourfold increase in that early estimate.

More than merely hitting a bottom-line target, we are making programmatic changes for the long term. Our remarkable progress testifies to the inherent strength, focus and discipline of PolyOne. Through creative cost reduction initiatives, a sound integration strategy and dedication to teamwork, we have come very far very fast. We are shaping a solid foundation for success.

[PICTURE]
[Thomas A. Waltermire]:

A year ago, we ran our business on 22 information systems. Today, we are doing nearly $2 billion in sales on a common information technology platform that operates in seven countries. One of our foremost initiatives in 2001 was the design and implementation of a single IT system linking nearly all our businesses worldwide. We dubbed this undertaking projectOne; the name alone speaks to the high priority we assigned it.

After launching projectOne late in 2000, we brought our Plastic Compounds and Colors (PCC), Specialty Resins, Elastomers and most of our European operations onto the unified system, in record time and on budget. In 2002, we'll add our Formulators operations, the Performance Additives part of our Elastomers group and much of the remaining European business.

With this astounding success, we have the capability to extend the benefits of business-to-business e-commerce to our customers and suppliers, and to provide access to a single source for most PolyOne products and services.

Unquestionably, our proficiency differentiates us -- and the secret is out. In its ranking of the nation's 500 companies with the most innovative IT departments, the trade publication InformationWeek recognized PolyOne as the leader in the chemical industry and number 28 overall. We were the only chemical company to receive InformationWeek's top-flight gold citation in all four rating categories.

If space allowed, I would list every member of the projectOne team. This group has performed a near-miracle -- and, in so doing, has demonstrated the energy, perseverance and drive to succeed that I mentioned earlier.

A year ago, PolyOne's North American manufacturing structure was not competitive. Today, more than 35 sites in several of our businesses are targeted for improvements. The major thrust is in our North American PCC operations, which we analyzed thoroughly, and where we then committed $45 million to facility upgrades and expansion. In our three PCC product groups -- engineered materials, colorants and vinyl compounds -- we've designated 20 customer-focused Centers of Manufacturing Excellence that we will create at existing sites, where we will install new equipment and production lines. Simultaneously, we will close roughly one-third of our initial 34 North American PCC plants. The hard work of implementing these changes has begun, and we expect to complete nearly all of it by the end of 2002. We anticipate approximately $50 million in annualized pre-tax savings in our North American PCC operations, beginning in 2003.

We also consolidated our Elastomers and Performance Additives operations to better align our manufacturing assets with the needs of a changing customer base. By mid-2002, we will have closed three plants.

The asset reconfiguration, and other business changes in Elastomers, are expected to yield annual pre-tax savings of approximately $6 million. By eliminating excess capacity and continuing to apply "lean" manufacturing principles, we are increasing our customer responsiveness, improving our financial performance and positioning PolyOne to compete in global markets.

We also took steps to streamline our Engineered Films manufacturing function, a move that will produce estimated annual pre-tax savings of approximately $8.5 million. To date, we have closed one plant and realigned the overhead structure at three other sites. We are implementing additional options, including product line reconfiguration and new product technology for automotive and custom film applications. We see excellent opportunities to employ our technology for thermoplastic olefins and related alloys in both of these markets.

A year ago, our recordable injury rate already placed us among the best in any manufacturing industry. During 2001, we raised our performance to world-class standards by cutting injuries nearly 30 percent. In the midst of profound change, one thing never changes: our vigilance on safety. Safety is at the top of our business objectives. In fact, it was the first objective we set for our people when we formed PolyOne.

Setting expectations of high standards for safety is smart business. It is the best way to prove to our people that they are important. Our people understand that at PolyOne, safety is a requirement, not a luxury. This is the best way I have found to energize people with the habit of teamwork and discipline. This is the foundation for creating a culture of quality and customer responsiveness.

ONE SYSTEM FOR EVERYONE

POLYONE'S NEW BUSINESS INFORMATION SYSTEM LINKS PEOPLE AROUND THE WORLD. AT THE START OF 2002, THE SYSTEM COMPRISED:

24,000	VENDORS
16,000	CUSTOMERS
3,000	TRAINED POLYONE EMPLOYEES
50	POLYONE SITES WORLDWIDE
71,300	PRODUCT RECIPES

Our stance on safety has helped us build trust. Our people have responded with a willingness to change and take on new challenges. It is more than coincidence that everywhere we've reduced accidents and injuries, we've seen concurrent gains in quality and productivity.

A year ago, our vision, strategy and culture were still forming. Today, our people, customers and suppliers are beginning to see the Power of PolyOne. Those who dismiss culture as feel-good fluff are just plain wrong. We threw ourselves into the task of shaping a common culture because it is the stuff of sustainable competitive advantage.

The whole concept of PolyOne is based on sharing knowledge globally. We will succeed in direct proportion to our ability to:

- Solve a customer problem, then replicate the solution anywhere in the world

- Seamlessly serve the growing number of customers who want us to supply the identical product the world over

- Source material and services globally

- Create teams of diverse product specialists when a customer need demands an unusual combination of skills

All this teamwork starts with a common culture. PolyOne's culture is rooted in the core values of excellence, integrity, innovation, teamwork and respect for all. Our mission statement -- WE HELP PEOPLE WORK WONDERS WITH POLYMERS, which we proudly display at all our sites -- is the driver. Our own people see it, believe it and act on it, as shown by our progress in 2001.

OUR 2001 BUSINESS PERFORMANCE

PolyOne's markets and customers were severely challenged in 2001. Our overall shipments fell approximately 15 percent from 2000 pro forma levels(1), and 2001 total revenues declined to $2.7 billion from 2000 pro forma revenues of $3.1 billion. Most adversely affected were our business units with exposure to the automotive, industrial and telecommunications markets. Reduced demand for certain building material applications and appliances also hurt our sales.

The performances of the joint ventures in our Resin and Intermediates segment were hurt by volatility in commodity prices for natural gas, polyvinyl chloride (PVC) resin, chlorine and caustic soda. These factors affected our OxyVinyls joint venture and SunBelt, a chlor-alkali joint venture.

With a clear focus on short-term cost controls and longer-term structural improvements from strategic initiatives, we walked the talk in responding to the soft economy. The PolyOne team stepped up and reduced discretionary spending by nearly $30 million from 2000 levels. Our aggressive but disciplined response allowed us to make a small profit in the second and third quarters, even on depressed sales.

In our operating businesses (excluding the Resin and Intermediates segment), a 15 percent sales decline normally would cost us approximately $135 million in operating income -- but, by responding with substantial cost savings in Selling & Administration, material sourcing and discretionary spending, we held the effect of the sales decline to only $53 million (compared with 2000 pro forma results). Despite the drop in operating

STRATEGIC VALUE CAPTURE INITIATIVES

PROGRAMS TO REDUCE 2003 COSTS COMPARED WITH 2000

Dollars in millions

19	LOGISTICS
59	SOURCING
41	PCC MANUFACTURING UPGRADE
29	STRATEGIC BUSINESS UNIT ACTIONS
52	SALES,TECHNOLOGY,GENERAL AND ADMINISTRATION
$200	

income, we managed our cash flow and reduced our short-term debt, lowering inventories and improving receivable collections. The result is that we generated operating cash flow(2) for the year of approximately $140 million.

OUR RALLYING CRY FOR 2002: FINISH THE FIX, BEGIN TO GROW

We entered 2002 assuming that the economy will not rebound in the first half -- but that during the year, PolyOne certainly will. Our most urgent priority is to implement the income improvements under way and bring them to the bottom line. To make this happen, our businesses must operate with excellence and we must continue our tight controls on spending. We are determined to achieve reasonable profitability even during this economic slowdown.

Looking toward a second-half improvement, however modest, we intend to capture more than our share of the additional market opportunity(3). Each of our businesses has targeted specific customers for 2002. We will deliver on these plans. Compared with when we launched PolyOne, we have better business systems and practices; we are better prepared to bring all of our capabilities to our customers; and we are better positioned to execute our strategy globally.

As we leverage long-term structural changes -- a common IT system, improvements to our manufacturing assets, a new organization for our Distribution group, new sourcing and logistics processes -- we will begin to drive growth on the top line and the bottom line.

Sales growth will receive expanded focus in 2002 and the years ahead. Our solution selling program is based on a recognition that, with the portfolio of businesses we now have, we should be able to provide unique product and service solutions to our customers. This capability, a founding precept of PolyOne, should contribute to business growth even in times of economic distress. For these reasons, we have stepped up the training of our sales organizations and developed Web-based sales tools. We are committed to honing our solution selling skills.

On another front, we are refocusing our research and development efforts. In 2002, for example, we will redeploy several million dollars from other programs to develop new product technology and to upgrade our technical resources at Avon Lake, Ohio, where we will add new equipment.

These investments are prompted by a recognition that innovation is the essential organic growth driver, and we need to quicken the pace at PolyOne. We are turning our attention to developing new products, services and technologies, and to delivering them anywhere in the world where our customers need our expertise.

As we continue to execute our strategic initiatives and begin to pursue a growth agenda, our stated goal of $2.00 per share in earnings remains in our sight(3).

This goal, which requires a pre-tax earnings improvement of approximately $300 million(4) over 2001, is driven largely by the value capture programs we expect to realize, by sales growth initiatives and by assumptions that business conditions and revenues will recover as the economy recovers.

For PolyOne, 2001 was a year of learning, fighting back and progress. We responded with determination to a weak economy and world events, while making great progress in building a solid foundation for our new Company. We are on a mission to prove that customers can rely on us to help them succeed and that shareholders can rely on us for consistent, profitable growth.

I thank you for your support, and I assure you that, along with earning for you an attractive return on your investment, we want to earn your continuing confidence and trust.

/s/ Thomas A. Waltermire

Thomas A. Waltermire
Chairman of the Board, President and Chief Executive Officer

March 28, 2002

(1) Details of pro forma assumptions can be found beginning on page 6.

(2) Before receivable sales facility and spending for employee severance and plant phase-out.

(3) See Forward-Looking Statements, page 37.

(4) Excluding 2001 special items, see page 10.

MANAGEMENT'S ANALYSIS

RESULTS OF OPERATIONS

POLYONE CORPORATION (PolyOne or Company) is a leading global polymer services company, with worldwide annual sales of approximately $2.7 billion. PolyOne was formed on August 31, 2000, from the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna).

The PolyOne consolidation was accounted for as a purchase business combination, with Geon as the acquiring entity. Accordingly, PolyOne's "reported results" under generally accepted accounting principles (GAAP) for the year ended December 31, 2000, reflect the operating results of Geon for eight months prior to the consolidation, and of PolyOne for four months (which include the operating results of Hanna from the date of consolidation).

In the commentary that follows, "pro forma results" will also be provided because of the significant and pervasive impact of the merger on comparative data. The pro forma operating results assume that the consolidation of Geon and Hanna occurred prior to the periods presented. Further, the pro forma operating results assume that Hanna's sale of its Cadillac Plastic business recognized in the second and third quarters of 2000, as well as Geon's 1999 transactions with Occidental Chemical Corporation (OxyChem) and the acquisition of O'Sullivan Corporation (O'Sullivan), occurred prior to the periods presented. The pro forma operating results do not include any future profit improvements and cost savings or associated costs, including restructuring costs expected to result from the continuing integration of Geon and Hanna. The pro forma operating results are provided for illustrative purposes only, and may not necessarily indicate the operating results that would have occurred or future operating results of PolyOne.

The most significant forces impacting PolyOne's operating results in 2001 were the recession of the U.S. economy and the restructuring and integration of PolyOne's operations to improve customer service and product quality and to lower operating costs. The slowdown of the U.S. economy commenced in the second half of 2000 and advanced to a recession in 2001, which was the first U.S. recession since 1990-1991. The economic recession significantly reduced customer sales demand and resulted in lower sales and earnings in PolyOne's equity investments in the polyvinyl chloride (PVC) resin and chlor-alkali industries. Partially offsetting the negative economic forces were PolyOne's initiatives to integrate and restructure its operations following the consolidation and formation of PolyOne in 2000. The implementation of a substantial portion of the restructuring initiatives announced in 2001 will continue through 2002.

2001 RESULTS OF OPERATIONS

REPORTED RESULTS Total sales for 2001 were $2.7 billion, an increase of $766.8 million from 2000. This increase is due to only four months of former Hanna operations being included in the 2000 reported sales. Year 2001 sales were below 2000 on a comparable basis; see the pro forma commentary that follows.

Operating earnings for 2001 were a loss of $17.1 million compared with income of $64.8 million in 2000. Operating income before special items, depreciation and amortization (OIBSIDA) was $125.8 million compared with $138.9 million in 2000. The decrease in 2001 OIBSIDA is due primarily to an earnings decrease of $40.5 million from the Resin and Intermediates (R&I) segment equity affiliates, which was partially offset by a full year's inclusion of the former Hanna operations.

The net loss in 2001 was $46.1 million. Before special items, the loss was $10.2 million compared with income of $25.0 million in 2000 before special items. The 2001 special items relate primarily to restructuring initiatives (see the table titled "Summary of Special Items," page 10). The effective income tax rate in 2001 was 35.7% compared with 39.1% in 2000. The lower effective income tax rate reflects principally the effect of permanent differences such as non-deductible goodwill on pre-tax losses.

PRO FORMA RESULTS Total sales for 2001 were $2.7 billion, a decrease of $485.1 million, or 15%, from pro forma results for 2000. Decrease in customer sales demand in 2001 reflected the substantial weakening of the North American economy across all business segments. Particularly impacting PolyOne were the industrial, automotive, electronic and some construction markets. Automotive production was down 10% (domestic producers were even weaker) in 2001 compared with 2000. Industrial production fell 4.3% in 2001 compared with the prior year. Average U.S. industrial capacity utilization in 2001 fell to 77%, five percentage points below 2000, and reached the lowest level since 1983 in the fourth quarter of 2001. Management estimates that operating income in 2001 was down approximately $135 million as a direct result of the sales volume decline from 2000.

The operating loss in 2001 was $17.1 million. The 2001 OIBSIDA of $125.8 million was $104.2 million below the prior year. The decrease in 2001 OIBSIDA was driven by lower sales volumes (approximately $135 million) across all business segments and weaker results in the R&I equity earnings, partially offset by cost reduction initiatives associated with the merger integration and announced restructuring programs (estimated at approximately $69 million). The 2001 net loss before special items was $10.2 million, $58.7 million below 2000 net income before special items.

RESULTS OF OPERATIONS

SUMMARY OF CONSOLIDATED OPERATING RESULTS

In millions, except per share data	Year Ended December 31,				
	Reported Results			Pro Forma Results	
	2001	2000	1999	2000	1999
Sales	$ 2,654.6	$ 1,887.8	$ 1,261.2	$ 3,139.7	$ 3,039.9
Operating income before special items, depreciation and amortization	125.8	138.9	148.6	230.0	288.6
Operating income (loss)	(17.1)	64.8	99.7	115.5	181.8
Operating income before special items	34.5	81.5	105.4	128.4	184.3
Net income (loss)	(46.1)	15.9	104.7	52.4	79.9
Special items (income) - after tax	35.9	9.1	(52.2)	(3.9)	5.1
Net income (loss) before special items	$ (10.2)	$ 25.0	$ 52.5	$ 48.5	$ 85.0
Earnings (loss) per share, diluted	$ (0.51)	$ 0.26	$ 2.15	$ 0.57	$ 0.86
Effect on earnings per share of excluding special items, increase (decrease)	$ 0.40	$ 0.15	$ (1.07)	$ (0.04)	$ 0.05

Senior management uses (1) operating income before special items and/or (2) operating income before special items and depreciation and amortization (similar to EBITDA, which is used by stock market analysts) to assess performance and allocate resources to business segments. Special items include gains and losses associated with specific strategic initiatives such as restructuring or consolidation of operations, gains and losses attributable to acquisitions or formation of joint ventures, and certain other one-time items. For a description of special items, refer to the table titled "Summary of Special Items" on page 10. In addition, management uses net income before special items as a measure of PolyOne's overall earnings performance. Operating income before special items and net income before special items are non-GAAP measures, and may not be comparable to financial performance measures presented by other companies.

The commentary on business segments is a comparison of the 2001 reported results with the 2000 and 1999 pro forma results for the years presented.

PERFORMANCE PLASTICS had 2001 sales of $1.837 billion, a decrease of $344.0 million, or 16%, from pro forma 2000. A breakdown of 2001 segment sales, by primary product group, is as follows:

	% of Sales	2001 % Change vs. 2000 Sales $	2001 % Change vs. 2000 Sales Lbs.
North American PCC	57	(20)	(19)
International PCC	20	(7)	(3)
Specialty Resins and Formulators	14	(11)	(12)
Engineered Films	9	(15)	(16)
Performance Plastics	100	(16)	(16)

Total Performance Plastics 2001 sales declines were driven by general economic weakness. Sales were also affected in International Plastic Compounds and Colors (PCC) by unfavorable euro currency exchange of approximately 3%. Engineered Films was severely impacted by the decline in automotive production, as was Specialty Resins and Formulators, but to a lesser extent. Certain residential construction markets impacted sales, such as specialty resins in flooring and North American PCC in windows and other residential lineal applications. In addition, the electronics market impacted PolyOne globally in wire and cable and business machines. In North American PCC and Europe, the wire and cable business has been severely impacted by changes in the telecommunications industry; in North America, some customers' business was down more than 50%. As a result, sales in the North American wire and cable market were down approximately 25% year over year. Due to economy-related price pressure from competitors, PolyOne decided to give up business and market share in some market segments rather than match price, but the impact of this decision was relatively small.

OIBSIDA in 2001 was $124.2 million, $29.2 million below pro forma 2000 results. The decrease in earnings was driven primarily by the substantial decline in sales volume, partially offset by cost-saving initiatives. In 2001, five plants within the business segment were closed in connection with PolyOne's restructuring initiatives.

MANAGEMENT'S ANALYSIS

RESULTS OF OPERATIONS

ELASTOMERS AND PERFORMANCE ADDITIVES sales in 2001 were $402.6 million, a decrease of $79.6 million, or 17%, from pro forma 2000. The decrease in 2001 sales was driven primarily by reduced domestic demand from producers of automotive parts, which impacted both the elastomers and additives markets. Of the 17% year-over-year change, 2% was due to reduced tolling of rubber compounds for tires, and the remaining 15% was due primarily to lower volumes related to the automotive and industrial markets. Moreover, the impact of lower automotive production was exacerbated by PolyOne's relatively strong market share with Ford, General Motors and DaimlerChrysler, which collectively lost market share in the North American market in 2001.

OIBSIDA in 2001 was $26.8 million, a decline of $18.5 million compared with pro forma 2000. Cost-saving initiatives, including the "lean" manufacturing initiative, reduced costs, but were not sufficient to offset the adverse earnings impact from the sales volume declines previously noted. During 2001, two manufacturing plants were closed in this segment.

DISTRIBUTION had sales in 2001 of $462.6 million, a decrease of $44.1 million, or 8.7%, from pro forma 2000. The decrease resulted primarily from lower sales volumes (6.7%) in North America and from passing lower material costs to customers. The Mexican operations' sales, which approximate 9% of this segment, increased in 2001 by 2% compared with 2000.

OIBSIDA in 2001 was $2.5 million, a decrease of $12.1 million from pro forma 2000. The decrease in earnings was driven by lower sales volumes and margin erosion, including losses attributed to the sale of non-prime inventories ($1.3 million).

RESIN AND INTERMEDIATES (R&I) operating earnings before special items, consisting of equity income from joint ventures and allocated overhead support cost and cost associated with past operations, were a loss of $12.6 million in 2001, or a decrease in earnings of $40.5 million from 2000. The 2001 equity earnings before a charge for employee severance and liabilities associated with the temporary idling of a plant of $4.3 million were $34.1 million below 2000 levels for Oxy Vinyls, LP (OxyVinyls) and $9.4 million below 2000 levels for SunBelt Chlor-Alkali Partnership (SunBelt). The decreases in equity earnings were driven by lower average industry PVC resin and chlor-alkali selling prices and higher energy costs for OxyVinyls in 2001.

The domestic PVC resin industry capacity utilization in 2001 was 86% compared with 91% in 2000. The domestic PVC resin industry average selling price decreased by $0.07 per pound year over year; however, due largely to lower ethylene and chlorine costs, the 2001 PVC resin industry spread (selling prices less the cost of ethylene and chlorine) was generally flat compared with 2000. PolyOne's equity earnings were negatively impacted by lower PVC resin spreads due to OxyVinyls' customer/product mix in 2001. OxyVinyls' 2001 combined pricing of the co-products caustic soda and chlorine decreased approximately 8% from 2000. In 2001 versus 2000, energy costs adversely impacted OxyVinyls' equity earnings by approximately $6 million.

OTHER consists primarily of corporate governance costs not allocated to the business segments. These unallocated costs before special items were $16.6 million in 2001 compared with $11.2 million in 2000. PolyOne's 2001 corporate costs incurred were more than 20% below 2000 pro forma costs.

2000 RESULTS OF OPERATIONS

REPORTED RESULTS Total sales for 2000 were $1.888 billion, an increase of $626.6 million from 1999. This change in sales included four months of former Hanna operations totaling approximately $560 million. The mid-year 1999 acquisitions of O'Sullivan and formulators contributed additional sales of approximately $152 million in 2000, and the formation of OxyVinyls at the end of April 1999 resulted in PVC resin operation sales, which totaled approximately $144 million in 1999, no longer being consolidated.

Operating income for 2000 was $64.8 million compared with $99.7 million in 1999. OIBSIDA was $138.9 million compared with $148.6 million in 1999. The decrease in 2000 operating income was due primarily to declines in construction and automotive-related sales, particularly in the vinyl compound and engineered films operations. These sales declines were partially offset by four months of earnings contributed by former Hanna operations.

Net income in 2000 was $15.9 million. Before special items, net income was $25.0 million compared with $52.5 million in 1999 before special items. The effective income tax rate in 2000 was 39.1%, which approximated the rate in 1999.

RESULTS OF OPERATIONS

BUSINESS SEGMENT INFORMATION

In millions	Year Ended December 31,		
	Reported Results	Pro Forma Results	
	2001	2000	1999
Sales:			
Performance Plastics	$1,836.7	$2,180.7	$2,090.0
Elastomers and Performance Additives	402.6	482.2	487.6
Distribution	462.6	506.7	483.4
Resin and Intermediates	--	--	--
Other	(47.3)	(29.9)	(21.1)
	$2,654.6	$3,139.7	$3,039.9
Operating income (loss) before special items, depreciation and amortization:			
Performance Plastics	$ 124.2	$ 153.4	$ 234.0
Elastomers and Performance Additives	26.8	45.3	50.3
Distribution	2.5	14.6	15.6
Resin and Intermediates	(12.6)	27.9	3.6
Other	(15.1)	(11.2)	(14.9)
	$ 125.8	$ 230.0	$ 288.6
Operating income (loss) before special items:			
Performance Plastics	$ 53.9	$ 73.9	$ 151.2
Elastomers and Performance Additives	10.2	26.5	32.4
Distribution	(0.4)	11.3	12.0
Resin and Intermediates	(12.6)	27.9	3.6
Other	(16.6)	(11.2)	(14.9)
	$ 34.5	$ 128.4	$ 184.3

See Note R to Consolidated Financial Statements for additional reported business segment disclosures.

PRO FORMA RESULTS Total sales for 2000 were $3.140 billion, an increase of $99.8 million, or 3%, over 1999. Sales growth was primarily in the Performance Plastics segment. Sales growth significantly slowed in the second half of 2000, particularly in construction and automotive-related markets.

Operating income was $115.5 million in 2000 versus $181.8 million in 1999. OIBSIDA in 2000 was $230.0 million, or $58.6 million below 1999. The decrease in 2000 was attributable largely to lower earnings in the Performance Plastics segment, which were partially offset by higher Resin and Intermediates earnings.

Net income before special items was $48.5 million in 2000 and $85.0 million in 1999.

PERFORMANCE PLASTICS had 2000 sales of $2.181 billion, an increase of $90.7 million over 1999. Sales growth was strongest in formulators ($50.0 million) and International PCC ($35.0 million), reflecting both higher organic growth rates and the effects of acquisitions. The 2000 sales in this segment comprise the following primary product groups: vinyl compounds (39%), engineered materials (23%), color and additive systems (16%), specialty resins and formulators (13%) and engineered films (9%). OIBSIDA was $153.4 million in 2000 versus $234.0 million in 1999. The 2000 earnings decrease was attributable largely to the sales slowdown in the second half of 2000 that resulted from the weak automotive and construction markets and higher raw material costs. Segment sales in the first half of 2000 increased by 11% versus a 2% decrease in the second half of 2000 (8% decrease in the fourth quarter of 2000) compared with the same periods in 1999. The average industry market price for PVC resin was $0.09 per pound, 35% higher in 2000 versus 1999. The International PCC operations, which account for 18% of this segment's revenue, were not affected by the sales slowdown. Consolidated International earnings were adversely impacted due to currency exchange in 2000, with a weak euro versus the U.S. dollar.

ELASTOMERS AND PERFORMANCE ADDITIVES sales in 2000 were $482.2 million, a decrease of $5.4 million from 1999. Sales were adversely impacted by the slowdown in the production of North American automobiles in the third and fourth quarters of 2000. Automotive applications comprise more than 40% of this segment's sales. The 2000 OIBSIDA was $45.3 million compared with $50.3 million in 1999.

DISTRIBUTION had sales in 2000 of $506.7 million, an increase of $23.3 million, or 5%, over 1999. OIBSIDA was $14.6 million in 2000, or $1.0 million below 1999, due to higher selling and administrative expense resulting primarily

from increased sales personnel.

RESULTS OF OPERATIONS

RESIN AND INTERMEDIATES operating income before special items, consisting of equity income from joint ventures and allocated overhead support cost and cost associated with past operations, was $27.9 million in 2000, an increase of $24.3 million over 1999. OxyVinyls equity income in 2000 was $35.7 million, an increase of $17.9 million over 1999. The SunBelt Chlor-Alkali joint venture recorded higher 2000 earnings of $12.7 million, partially offset by lower earnings from the joint venture Australian Vinyls Corporation. Domestic PVC resin and chlor-alkali industry dynamics were stronger in 2000 versus 1999. Domestic PVC resin industry spreads averaged approximately $0.02 per pound higher in 2000 versus 1999. Also, caustic soda and chlorine industry price averages were higher by approximately $25 per ton and $120 per ton, respectively.

Domestic PVC resin industry selling prices and margins began to rise in the third quarter of 1999 and increased through the first half of 2000. In the third quarter of 2000, sales demand slowed significantly with the economy and inventory reductions that occurred through the commercial distribution chain. With the decrease in sales demand, selling prices declined. In addition, margins narrowed as a result of the selling price decline, unusually high costs for natural gas used directly in manufacturing and high ethylene costs. In the last six months of 2000, PolyOne recorded a loss from OxyVinyls of $5.7 million.

OTHER consists primarily of corporate governance costs not allocated to the business segments. These unallocated costs before special items were $11.2 million in 2000 compared with $14.9 million in 1999.

SUMMARY OF SPECIAL ITEMS

In millions	Year Ended December 31,				
	Reported Results			Pro Forma Results	
	2001	2000	1999	2000	1999
Employee separation and plant phase-out costs	$ (36.1)	$ (2.8)	$ (0.5)	$ (2.8)	$ 0.1
Merger and integration costs	(1.1)	(9.5)	--	--	--
Period cost of closed facilities	(0.2)	--	--	--	--
Equity investment restructuring and plant idling costs(1)	(9.4)	--	(0.8)	--	(0.8)
Executive separation cost	(4.8)	--	--	(8.5)	--
Investment writedown	(10.1)	--	--	--	--
Litigation settlement gain	4.1	--	--	--	--
Acquired profit in inventory	--	(2.8)	(3.2)	--	--
Directors' pension termination	--	(0.8)	--	(0.8)	--
Writeoff of debt placement cost	--	(0.8)	--	(0.8)	--
Other restructuring costs	--	(0.6)	(1.2)	(0.6)	(1.2)
Gain on formation of joint ventures	--	--	93.5	--	--
Reversal of M.A. Hanna dock operations reserves	--	--	--	--	1.2
Gain on sale of assets	--	--	--	--	13.2
Loss on sale of business	--	--	--	--	(10.9)
Subtotal - pre-tax income (expense)	(57.6)	(17.3)	87.8	(13.5)	1.6
- after-tax income (expense)	(35.9)	(10.6)	53.7	(8.1)	(3.6)
German tax rate reduction	--	1.5	--	1.5	--
Cumulative effect of a change in accounting	--	--	(1.5)	--	(1.5)
M. A. Hanna reversal of income tax reserve	--	--	--	10.5	--
Total - after-tax income (expense)	$ (35.9)	$ (9.1)	$ 52.2	$ 3.9	$ (5.1)

(1) Employee severance, plant phase-out costs and liabilities associated with the temporary idling of a plant.

CONSOLIDATED STATEMENTS OF INCOME

In millions, except per share data	Year Ended December 31, 2001	2000	1999
Sales	$2,654.6	$1,887.8	$1,261.2
Operating costs and expenses:			
Cost of sales	2,223.0	1,598.8	1,028.9
Selling and administrative	304.2	191.5	97.4
Depreciation and amortization	91.3	57.4	44.4
Employee separation and plant phase-out	36.1	2.8	0.5
Merger and integration costs	5.9	9.5	--
Loss (income) from equity affiliates and minority interest	11.2	(37.0)	(9.7)
	2,671.7	1,823.0	1,161.5
Operating income (loss)	(17.1)	64.8	99.7
Interest expense	(41.9)	(36.7)	(17.7)
Interest income	2.3	1.6	2.1
Other expense, net	(15.0)	(3.6)	(3.6)
Gain on formation of joint ventures, net of formation costs	--	--	93.5
Income (loss) before income taxes and cumulative effect of a change in accounting for start-up costs	(71.7)	26.1	174.0
Income tax (expense) benefit	25.6	(10.2)	(67.8)
Income (loss) before cumulative effect of a change in accounting	(46.1)	15.9	106.2
Cumulative effect of a change in accounting	--	--	(1.5)
Net income (loss)	$ (46.1)	$ 15.9	$ 104.7
Earnings (loss) per common share:			
Basic earnings (loss) per share before effect of a change in accounting	$ (0.51)	$ 0.26	$ 2.28
Cumulative effect of a change in accounting	--	--	(0.03)
Basic earnings (loss) per share	$ (0.51)	$ 0.26	$ 2.25
Diluted earnings (loss) per share before effect of a change in accounting	$ (0.51)	$ 0.26	$ 2.18
Cumulative effect of a change in accounting	--	--	(0.03)
Diluted earnings (loss) per share	$ (0.51)	$ 0.26	$ 2.15
Weighted-average shares used to compute earnings per share:			
Basic	89.8	61.4	46.6
Diluted	89.8	62.0	48.6

See Notes to Consolidated Financial Statements.

MANAGEMENT'S ANALYSIS

CONSOLIDATED BALANCE SHEETS

At December 31, 2001, PolyOne had total shareholders' equity of $713.4 million.

ASSETS

Total assets were $2.061 billion at December 31, 2001, a decrease of $369.4 million from December 31, 2000. The decrease was driven by a decrease of $153.2 million in trade receivables before the receivables sale facility and inventories and an increase of $117.5 million in PolyOne's utilization of the receivables sale facility. Further, restructuring initiatives in 2001 reduced property by $33.4 million and the investment in equity affiliates by $18.9 million.

LIABILITIES AND EQUITY

At December 31, 2001, short-term bank debt was $14.7 million compared with $249.1 million at December 31, 2000. Long-term debt was $431.4 million at December 31, 2001, compared with $433.1 million at December 31, 2000. The public debt was rated investment grade as of December 31, 2001, by Moody's Investors Service, Standard & Poor's and Fitch Ratings.

In October 2001, PolyOne's $100 million, 364-day revolving credit facility expired. In November 2001, PolyOne amended its five-year revolving credit facility to reduce the existing facility from $200 million to $150 million, shorten the maturity date to October 2004 and modify existing financial ratios to be maintained. There were no borrowings under this facility at December 31, 2001.

In September 2000, PolyOne's Board of Directors authorized the purchase of up to 9.6 million, or approximately 10 percent, of PolyOne's outstanding shares of common stock. Through December 31, 2000, PolyOne repurchased 2.6 million shares at an average cost of $7.15 per share. No common stock was repurchased in 2001. Also, PolyOne returned $22.9 million to its shareholders in the form of cash dividends in 2001.

ACCOUNTING POLICIES AND ESTIMATES

Note B of the Consolidated Financial Statements contains a summary of PolyOne's accounting policies and commentary on the nature of estimates made in the preparation of the financial statements. Following is a description of important management judgments relating to the PolyOne 2001 Consolidated Financial Statements.

ENVIRONMENTAL ACCRUED LIABILITY PolyOne has accrued $56.2 million to cover future environmental remediation expenditures, and believes none of these matters, either individually or in the aggregate, will have a material adverse effect on its capital expenditures, earnings, cash flow or liquidity. The accrual represents PolyOne's best estimate of the remaining remediation costs based upon information and technology currently available. For additional discussion, refer to Note N to the Consolidated Financial Statements.

RESTRUCTURING COSTS PolyOne has announced plans to close 11 manufacturing plants in 2002. As of December 31, 2001, an accrued liability of $37.7 million existed for future employee severance and plant closing costs. In addition, at the end of 2001, the net property carrying value to be realized for the plants closed or to be closed was $35 million (some assets will be transferred to other locations as production ceases).

EQUITY INVESTMENT In December 2001, OxyVinyls (of which PolyOne owns 24%) announced the temporary closing of its Deer Park, Texas, chlor-alkali plant due to low industry capacity utilization and low product market selling prices. As of December 31, 2001, OxyVinyls had accrued $13.8 million for future employee severance and liabilities associated with the temporary idling of a plant. The plant had a net property carrying value by OxyVinyls at the end of 2001 of approximately $139 million, which is anticipated to be realized through future operations upon the restart of the plant.

GOODWILL As of December 31, 2001, PolyOne's recorded goodwill totaled $476.3 million. PolyOne had not completed its assessment of any potential impairment under the new provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which is effective in 2002, as further explained in Note B to the Consolidated Financial Statements.

DEFERRED TAX BENEFIT FOR OPERATING LOSS CARRYFORWARDS As of December 31, 2001, PolyOne had a net deferred tax liability of $23.0 million, which included a deferred tax asset of $82.3 million for operating loss carryforwards for tax purposes. The operating loss carryforwards are expected to be utilized against future earnings, thereby reducing taxes that would otherwise be paid. See the discussion in Note P to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

In millions, except per share data	December 31, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 18.2	$ 37.9
Trade accounts receivable (less allowance of $9.5 in 2001 and $9.8 in 2000)	135.6	330.4
Other receivables	11.4	17.1
Inventories	255.3	337.1
Deferred income tax assets	48.6	53.9
Other current assets	16.5	20.1
TOTAL CURRENT ASSETS	485.6	796.5
Property, net	683.6	703.8
Investment in equity affiliates	287.9	311.6
Goodwill and other intangible assets, net	537.3	540.3
Other non-current assets	66.8	78.4
TOTAL ASSETS	$ 2,061.2	$ 2,430.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term bank debt	$ 14.7	$ 249.1
Accounts payable, including amounts payable to related party (see Note N)	311.4	319.4
Accrued expenses	169.4	175.7
Current portion of long-term debt	4.6	2.6
TOTAL CURRENT LIABILITIES	500.1	746.8
Long-term debt	426.8	430.5
Deferred income tax liabilities	64.5	132.8
Post-retirement benefits other than pensions	126.2	129.9
Other non-current liabilities, including pensions	214.5	149.0
Minority interest in consolidated subsidiaries	15.7	14.0
TOTAL LIABILITIES	1,347.8	1,603.0
SHAREHOLDERS' EQUITY		
Preferred stock, 40.0 shares authorized, no shares issued	--	--
Common stock, $0.01 par, authorized 400.0 shares, issued 122.2 in 2001 and 2000	1.2	1.2
Additional paid-in capital	1,072.7	1,057.6
Retained earnings	100.3	169.3
Common stock held in treasury, 31.2 shares in 2001 and 28.3 shares in 2000	(350.1)	(321.9)
Share ownership trust	(5.3)	(25.5)
Accumulated other non-owner equity changes	(105.4)	(53.1)
TOTAL SHAREHOLDERS' EQUITY	713.4	827.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,061.2	$ 2,430.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Year Ended December 31, 2001	2000	1999
OPERATING ACTIVITIES			
Net income (loss)	$ (46.1)	$ 15.9	$ 104.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Employee separation and plant phase-out charges	36.1	2.8	0.5
Cash payments on employee separation and plant phase-out	(23.8)	(5.0)	--
Depreciation and amortization	91.3	57.4	44.4
Investment writedown	10.1	--	--
Gain on formation of joint ventures, net of formation costs	--	--	(93.5)
Companies carried at equity and minority interest:			
(Income) loss	11.2	(37.0)	(9.7)
Dividends received	3.7	27.0	4.6
Provision (benefit) for deferred income taxes	(29.0)	8.3	60.4
Changes in assets and liabilities:			
Operating working capital:			
Trade accounts receivable	191.0	60.0	(31.1)
Inventories	79.7	9.9	(23.9)
Accounts payable	(4.8)	(19.2)	36.4
Realization of retained working capital of contributed PVC business	--	--	61.6
Accrued expenses and other	(10.7)	(56.2)	(39.8)
NET CASH PROVIDED BY OPERATING ACTIVITIES	308.7	63.9	114.6
INVESTING ACTIVITIES			
Capital expenditures	(80.2)	(62.7)	(60.1)
Return of cash by (investment in) equity affiliates	1.7	5.3	(16.1)
Proceeds from sale of assets	4.4	44.2	--
Business acquisitions, net of cash acquired	--	(2.4)	(233.5)
Cash received in connection with consolidation of M.A. Hanna Company, net of transaction costs paid	--	28.1	--
Net cash received in connection with OxyVinyls formation	--	--	66.1
Other	(0.8)	7.9	--
NET CASH PROVIDED (USED) BY OPERATING AND INVESTING ACTIVITIES	233.8	84.3	(129.0)
FINANCING ACTIVITIES			
Change in short-term debt	(233.2)	8.7	167.5
Net issuance (repayment) of long-term debt	(0.8)	(72.9)	2.0
Termination of interest rate swap agreements	4.3	--	--
Net proceeds from issuance of common stock	--	0.6	7.1
Repurchase of common stock	--	(18.7)	--
Dividends	(22.9)	(14.9)	(11.8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(252.6)	(97.2)	164.8
Effect of exchange rate changes on cash	(0.9)	(0.4)	1.0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19.7)	(13.3)	36.8
Cash and cash equivalents at beginning of year	37.9	51.2	14.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 18.2	$ 37.9	$ 51.2

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The 2001 statement of cash flows is that of PolyOne. The 2000 statement of cash flows comprises eight months' operation of The Geon Company and four months' operation of PolyOne. The 1999 statement of cash flows is that of only The Geon Company.

In 2001, net cash provided by operating and investing activities was $233.8 million. Cash from operating activities totaled $308.7 million, and resulted primarily from a commercial working capital (trade receivables before the receivables sale facility, FIFO inventories and accounts payable) decrease of $156.0 million due to 2001 management initiatives, lower fourth-quarter sales and an increase in the sale receivables facility. Further, PolyOne increased by $117.5 million the utilization of the receivables sale facility (this facility was increased from $100.0 million to $250.0 million in 2001). Investing activities consisted primarily of capital expenditures of $80.2 million, of which approximately one-half supported PolyOne's manufacturing restructuring and the implementation of a common management business information systems platform.

In 2000, net cash provided by operating and investing activities was $84.3 million. Significant sources of cash included operating activities ($63.9 million) and proceeds from the sale of assets, primarily the former Hanna's Cadillac Plastic business ($44.2 million) and net Hanna cash received at the time of the consolidation ($28.1 million). Contributing to a $60.0 million reduction in accounts receivable in 2000 was a significant slowdown in fourth-quarter sales demand. The 2000 investing activities included capital expenditures of $62.7 million.

Financing activities in 2001 consisted largely of the reduction of short-term debt of $233.2 million and the payment to shareholders of dividends totaling $22.9 million. In 2000, financing activities included PolyOne's repurchase for $18.7 million of approximately 2.6 million shares through December 31, 2000. Also, $72.9 million of long-term debt was repaid in 2000 after PolyOne entered into two revolving credit agreements totaling $400 million in October 2000. Upon formation, PolyOne commenced the payment of quarterly dividends at the annual rate of $0.25 per common share.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, PolyOne had existing facilities to access capital resources (receivables sale facility, revolving credit agreement, uncommitted short-term credit lines and long-term debt) totaling $882 million. At the end of 2001, PolyOne had utilized $664 million of these facilities, including $431 million of long-term debt. The effective available funds under these facilities can vary, depending on the level of qualified receivables outstanding, ratings on public debt and debt-related financial ratios. As of December 31, 2001, approximately $69 million of the existing facilities was available to be drawn while remaining in compliance with the facilities. As of December 31, 2001, PolyOne's public debt was rated by Moody's Investors Service, Standard & Poor's and Fitch Ratings as investment grade. The debt ratings from these agencies impact PolyOne's cost of non-fixed interest rate financing.

On March 28, 2002, PolyOne amended and restated its revolving credit agreement governing the revolving credit facility. The amended and restated credit agreement provides that, among other things, PolyOne must issue at least $200 million of unsecured debt. This financing will provide additional liquidity and reduce the risk associated with refinancing existing long-term debt. The revolving credit agreement requires the maintenance of certain defined financial ratios with specified levels that would require limits on certain expenditures. For a summary of these financial ratios, see the table that follows.

Of the capital resource facilities available to PolyOne as of December 31, 2001, only the portion of the receivables sale facility that was actually sold provided security in connection with the transfer of ownership of these receivables. Each indenture governing PolyOne's public debt allows for a level of secured debt, above which security must be provided under each such indenture. The receivables sale facility does not constitute debt under the public debt indentures. Security will be granted under the terms of the amended and restated revolving credit agreement. Giving effect to the amendment and restatement of PolyOne's credit agreement as though it had occurred as of December 31, 2001, under the terms of the most restrictive indenture, PolyOne would have been able to borrow an additional $20 million under the revolving credit

agreement without having to provide security for obligations under PolyOne's public debt. As of December 31, 2001, however, there were no drawings on this revolving credit facility. Security on the revolving credit agreement and public debt, if applicable, will terminate when the borrowed debt-to-EBITDA ratio is less than 3.50:1 for any two consecutive fiscal quarters. As of December 31, 2001, PolyOne had guaranteed unconsolidated equity affiliate debt of $97.5 million for SunBelt and $42.3 million for OxyVinyls.

The following table summarizes the defined financial ratios for 2002 included in the March 28, 2002, amendment to the revolving credit agreement.

	Interest Coverage Ratio (Minimum)	Borrowed Debt-to-EBITDA Ratio (Maximum)	Tangible Assets-to-Indebtedness Ratio (Minimum)
Agreement compliance			
First quarter of 2002	2.75	Waived	1.00
Second quarter of 2002	2.75	5.70	1.00
Third quarter of 2002	2.75	5.50	1.00
Fourth quarter of 2002	3.00	5.25	1.00
Limitations on dividends and stock repurchases(1), capital expenditures(2) and acquisitions(3)			
Each quarter		3.99	

(1) Payments for dividends and stock repurchases would be restricted to $6.0 million per quarter, excluding certain allowable stock repurchase transactions as defined in the revolving credit agreement, as amended March 28, 2002.

(2) Capital expenditures would be restricted to $33.0 million in a quarter and $88.0 million in a fiscal year.

(3) New acquisition investments would be limited to $25.0 million.

The realization of profitable operations will be important to maintaining the existing levels of available capital resources and the execution of PolyOne's announced restructuring initiatives. In 2001, PolyOne's OIBSIDA (which approximates the free cash flow of ongoing operations) was approximately $126 million. The free cash flow must cover expenditures for financing cost (interest expense and discount on sale of receivables), dividends and capital expenditures. These expenditures totaled approximately $150 million in 2001, and are not projected to materially change in 2002. Additional projected expenditures in 2002 total nearly $50 million for the funding of employee severance and plant closing costs announced in 2001 and a previously announced acquisition.

Projected to increase 2002 cash flow are increased earnings over 2001, in part from higher sales (net of one-time working capital investment associated with sales growth), from greater realization of value capture initiatives and from continuing efforts to reduce the percent of commercial operating working capital required to support each dollar of sales. Any remaining shortfall in cash flow is expected to be covered by (1) utilizing the available capital resource facilities noted previously, (2) securing additional capital resources, (3) managing and redeploying assets and/or (4) revising the expenditures noted previously.

PolyOne has managed and intends to continue to manage working capital and its capital structure to maintain adequate liquidity in 2002 to support normal operations, complete an acquisition and execute the restructuring initiatives that are projected to enhance the Company's future profitability.

Certain factors that may affect these forward-looking comments are discussed in "Risk Factors" and "Forward-Looking Statements."

MARKET RISK DISCLOSURES

PolyOne is exposed to market risk from changes in interest rates on debt obligations. PolyOne's long-term debt at December 31, 2001, was primarily fixed-rate obligations. To manage interest rate risk, PolyOne periodically enters into interest rate swap agreements that generally convert fixed-rate obligations to floating rates. As of December 31, 2001, PolyOne had interest rate swap agreements on three of its fixed-rate obligations in the amount of $182.8 million. These exchange agreements are perfectly effective as defined by Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," and had a fair value of $(1.6) million at December 31, 2001. The weighted-average interest rate for these three agreements was 6.25% at December 31, 2001.

PolyOne is also exposed to foreign currency exchange risk in the ordinary course of business because its products are provided in numerous countries around the world, and collection of revenues and payment of certain expenses may give rise to currency exposure. Management has reviewed PolyOne's exposure to this risk and has concluded that PolyOne's exposure in this area is adequately hedged with foreign currency exchange contracts, and that exposure to this risk is not material to fair values, cash flows or earnings. For additional

discussion, refer to Note T to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In millions, except per share data; shares in thousands	Common Shares	Common Shares Held in Treasury	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury
Balance December 31, 1998	27,974	4,622	$ 214.1	$ 2.8	$ 296.1	$ 75.4	$ (115.1)
Non-owner equity changes:							
Net income			104.7			104.7	
Translation adjustment			7.9				
Adjustment of minimum pension liability			7.6				
Total non-owner equity changes			120.2				
Stock-based compensation and exercise of options		(377)	12.2		1.2		10.6
Cash dividends ($0.25 per share)			(11.8)			(11.8)	
Balance December 31, 1999	27,974	4,245	334.7	2.8	297.3	168.3	(104.5)
Non-owner equity changes:							
Net income			15.9			15.9	
Translation adjustment			(4.7)				
Adjustment of minimum pension liability			(19.2)				
Total non-owner equity changes			(8.0)				
Two-for-one stock split	27,979	3,654		2.8	(2.8)		
Reduction in par value from $0.10 per share to $0.01 per share				(5.1)	5.1		
Shares issued in business combination merger	66,234	18,406	536.7	0.7	781.3		(215.6)
Formation of share ownership trust		(500)					13.4
Stock-based compensation and benefits and exercise of options	5	(90)	(2.2)		(7.5)		3.5
Purchase of shares for treasury		2,600	(18.7)				(18.7)
Adjustment to market value					(15.8)		
Cash dividends ($0.25 per share)			(14.9)			(14.9)	
Balance December 31, 2000	122,192	28,315	827.6	1.2	1,057.6	169.3	(321.9)
Non-owner equity changes:							
Net (loss)			(46.1)			(46.1)	
Translation adjustment			(10.0)				
Adjustment of minimum pension liability			(38.9)				
Net unrealized loss on securities			(0.5)				
Total non-owner equity changes			(95.5)				
Stock-based compensation and benefits and exercise of options		2,860	4.2		(0.8)		(28.2)
Adjustment to market value					15.9		
Cash dividends ($0.25 per share)			(22.9)			(22.9)	
Balance December 31, 2001	122,192	31,175	$ 713.4	$ 1.2	$ 1,072.7	$ 100.3	$ (350.1)

In millions, except per share data; shares in thousands	Share Ownership Trust	Accumulated Other Non-Owner Equity Changes
Balance December 31, 1998	$ --	$ (45.1)
Non-owner equity changes:		
Net income		
Translation adjustment		7.9
Adjustment of minimum pension liability		7.6
Total non-owner equity changes		
Stock-based compensation and exercise of options		0.4
Cash dividends ($0.25 per share)		
Balance December 31, 1999	--	(29.2)
Non-owner equity changes:		
Net income		
Translation adjustment		(4.7)
Adjustment of minimum pension liability		(19.2)
Total non-owner equity changes		
Two-for-one stock split		
Reduction in par value from $0.10 per share to $0.01 per share		
Shares issued in business combination merger	(29.7)	
Formation of share ownership trust	(13.4)	

Stock-based compensation and benefits and exercise of options	1.8	
Purchase of shares for treasury		
Adjustment to market value	15.8	
Cash dividends ($0.25 per share)		
Balance December 31, 2000	(25.5)	(53.1)
Non-owner equity changes:		
Net (loss)		
Translation adjustment		(10.0)
Adjustment of minimum pension liability		(38.9)
Net unrealized loss on securities		(0.5)
Total non-owner equity changes		
Stock-based compensation and benefits and exercise of options	31.6	(2.9)
Adjustment to market value	(15.9)	
Cash dividends ($0.25 per share)		
Balance December 31, 2001	$ (5.3)	$ (105.4)

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. DESCRIPTION OF BUSINESS

PolyOne Corporation (PolyOne or Company) is a leading global polymer services company, with operations in thermoplastic compounds, specialty polymer formulations, engineered films, color and additive systems, elastomer compounds and additives, and thermoplastic resin distribution. PolyOne was formed on August 31, 2000, as a result of the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna) (see Note C). The reported financial operating results and assets and liabilities prior to August 31, 2000, are those of only the former Geon business.

PolyOne's operations are located primarily in the United States, Europe, Canada, Mexico and Asia/Pacific in four business segments. The business segments consist of Performance Plastics, Elastomers and Performance Additives, Distribution, and Resin and Intermediates. See Note R for further information on the Company's business segments.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION AND BASIS OF PRESENTATION The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All majority-owned affiliates over which the Company has control are consolidated. Investments in affiliates and joint ventures in which the Company's ownership is 50 percent or less, or in which the Company does not have control but has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Inter-company transactions are eliminated.

The Company does not have off-balance sheet special-purpose entities. PolyOne's accounts receivable sale facility is disclosed in Note I, and its impact has been reflected on the balance sheet. The financial operations and position of PolyOne's unconsolidated affiliates are disclosed in Note F. Transactions with related parties (including joint ventures) are in the ordinary course of business and are at an arm's length basis.

CASH AND CASH EQUIVALENTS The Company considers all highly liquid investments purchased with a maturity of less than three months to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

CONCENTRATIONS OF CREDIT RISK Financial instruments that potentially subject the Company to credit risk are trade accounts receivable and foreign exchange contracts. Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers comprising the Company's customer base and their distribution among many different industries and geographic locations. The Company is exposed to credit risk with respect to forward foreign exchange contracts in the event of non-performance by the counterparties to these financial instruments. Management believes the risk of incurring material losses relating to this credit risk is remote.

INVENTORIES Inventories are stated at the lower of cost or market. Approximately 44% of the Company's inventories at December 31, 2001, had been valued by the last-in, first-out (LIFO) cost method. Inventories not valued by the LIFO method are valued principally by the first-in, first-out (FIFO) or average cost method.

PROPERTY AND DEPRECIATION Property, plant and equipment are recorded at cost, net of depreciation and amortization computed principally using the straight-line method over the estimated useful life of the assets, which ranges from three to 15 years for machinery and equipment and up to 40 years for buildings. Computer software is amortized over periods not exceeding 10 years. Property, plant and equipment are generally depreciated on accelerated methods for income tax purposes. Repair and maintenance costs are expensed as incurred.

Depreciation of property, plant and equipment was $67.3 million in 2001, $45.9 million in 2000 and $40.6 million in 1999.

GOODWILL AND OTHER INTANGIBLE ASSETS The excess of the purchase price paid over the fair value of the net assets of businesses acquired prior to July 2001 was recorded as goodwill and amortized on a straight-line basis over a life of 35 years. Goodwill and other long-lived assets are reviewed for impairment. During the periods presented, when indicators of impairment exist and when undiscounted cash flows are not sufficient to recover the assets' carrying amount, an analysis of impairment is completed. Measurement of impairment is based upon discounted cash flows, asset appraisals or market values of similar assets, and is charged to expense in the period identified. At December 31, 2001 and 2000, goodwill totaled $476.3 million and $470.8 million, net of accumulated amortization of $29.0 million and $14.8 million, respectively.

Other intangible assets include values assigned to technology and related patents, customer lists, workforce and long-term sales contracts of businesses acquired. At December 31, 2001 and 2000, other intangible assets totaled $61.0 million and $69.7 million, net of accumulated amortization of $13.5 million and $3.7 million, respectively. These assets are being amortized over periods ranging from four to 20 years on a straight-line basis.

Amortization expense related to goodwill and other intangibles was $24.0 million in 2001, $11.5 million in 2000 and $3.8 million in 1999.

During July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the purchase method for all business combinations initiated after June 30, 2001. SFAS No. 141 also clarifies the criteria for recognition of intangible assets separate from goodwill. SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets. This Statement also requires an initial goodwill impairment assessment in the year of adoption and annual impairment tests thereafter. Adoption of this Statement is required, effective January 1, 2002. As of December 31, 2001, the Company had net unamortized goodwill of $476.3 million and amortization expense on an annual basis of approximately $14 million. Also as of December 31, 2001, the Company had an intangible asset of $25.2 million recorded for acquired workforces, with annual amortization of approximately $4 million. Under SFAS No. 142, on January 1, 2002, the intangible workforce asset will be reclassified as goodwill. The discontinuation of goodwill amortization and reclassification of the workforce intangible in 2002 will increase operating income by approximately $18 million. Approximately $4.5 million of the annual goodwill amortization and $4 million of the workforce intangible was tax benefited in 2001. The Company is assessing whether any goodwill impairment will be recognized in 2002 under SFAS No. 142.

DERIVATIVE FINANCIAL INSTRUMENTS Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivative financial instruments, such as foreign exchange contracts and interest rate swap agreements, be recognized in the financial statements and measured at fair value, regardless of the purpose or intent in holding them. Changes in the fair value of derivative financial instruments are recognized periodically in either income or shareholders' equity (as a component of accumulated other non-owner equity), depending on whether the derivative is being used to hedge changes in fair value or cash flows. The adoption of SFAS No. 133 did not have a material effect on the Company's earnings, financial position or cash flows in fiscal 2001.

In the normal course of business, the Company is exposed to changes in foreign currencies and fluctuations of interest rates. The Company has established policies and procedures that govern the management of these exposures through the use of financial instruments. By policy, the Company does not enter into such instruments for trading purposes or speculation.

The Company enters into foreign currency exchange forward contracts with certain major financial institutions to reduce the effect of fluctuating exchange rates, primarily on foreign currency receivables, payables and inter-company lending transactions. Such contracts are not treated as hedges and, accordingly, are marked to market, with the resulting gains and losses recognized as other income or expense in the Consolidated Statements of Income. Realized gains and losses on these contracts offset the foreign exchange gains and losses on the underlying transactions. The Company's forward contracts have original maturities ranging from one to three months.

From time to time, the Company also enters into interest rate swap agreements. The interest rate swap agreements effectively modify the Company's exposure to interest risk by converting the Company's fixed-rate debt to a floating rate. The interest rate swap and instrument being hedged are marked to market in the balance sheet. The net effect of this accounting on the Company's operating results is that interest expense on the portion of fixed-rate debt being hedged is recorded based on the variable rate stated within the swap agreement. No other cash payments are made unless the contract is terminated prior to maturity. In this case, the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. Any gains or losses upon the early termination of the interest rate swap contracts are deferred within the hedged item and recognized over the remaining life of the contract. During 2001, the Company terminated three interest rate swap contracts and received $4.3 million of cash. This deferred gain has been classified as long-term debt, and is being amortized over the remaining life of the related debt instrument. See Note T for a further description of the Company's financial instruments.

REVENUE RECOGNITION The Company recognizes revenues at the point of passage of title, which is based on shipping terms for product sales or when service is performed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SHIPPING AND HANDLING COSTS Shipping and handling costs are reflected in cost of sales.

EQUITY AFFILIATES The Company recognizes its proportionate share of the income of equity affiliates. Losses of equity affiliates are recognized to the extent of the Company's investment, advances, financial guarantees and other commitments to provide financial support to the investee. Any losses in excess of this are deferred, and reduce the amount of future earnings of the equity investee recognized by the Company. At December 31, 2001 and 2000, there were no deferred losses related to equity investees.

The Company assesses investments in equity affiliates under Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," and recognizes impairment losses in the value of investments that experience declines judged to be other than temporary. See Note F for further information on the Company's equity affiliates.

ENVIRONMENTAL COSTS The Company expenses, on a current basis, recurring costs associated with managing hazardous substances and pollution in ongoing operations. Costs associated with the remediation of environmental contamination are accrued when it becomes probable that a liability has been incurred and the Company's proportionate share of the amount can be reasonably estimated.

RESEARCH AND DEVELOPMENT EXPENSE Research and development costs, which were $18.8 million in 2001, $21.4 million in 2000 and $18.5 million in 1999, are charged to expense as incurred.

INCOME TAXES Deferred tax liabilities and assets are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rate and laws that are currently in effect.

FOREIGN CURRENCY TRANSLATION Revenues and expenses are translated at average currency exchange rates effective during the period. Assets and liabilities of foreign subsidiaries and equity investees are translated using the exchange rate at the end of the period. The Company's share of the resulting translation adjustment is recorded as accumulated other non-owner equity changes. The cumulative unrecognized translation adjustment loss was $42.5 million, $32.5 million and $27.8 million at December 31, 2001, 2000 and 1999, respectively. Gains and losses resulting from foreign currency transactions, the amounts of which were not material, are included in net income.

MARKETABLE SECURITIES Marketable securities are classified as available for sale and recorded at current market value. Net unrealized gains and losses on marketable securities available for sale are credited or charged as accumulated other non-owner equity changes. The cumulative unrealized loss at December 31, 2001, was $0.5 million.

STOCK OPTIONS The Company accounts for stock options in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees."

CHANGE IN ACCOUNTING METHOD In January 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-up Activities," which requires that all pre-operating costs be expensed as incurred. Adoption of this Statement resulted in a one-time charge of $2.4 million ($1.5 million net of income tax benefit), and was reported as a cumulative effect of a change in accounting principle in 1999 earnings.

NEW ACCOUNTING PRONOUNCEMENT In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company expects to adopt SFAS No. 144 as of January 1, 2002, and does not anticipate that the Statement will have a significant impact on the Company's financial position and results of operations.

USE OF ESTIMATES The preparation of Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make extensive use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, as well as the reported amounts of revenues and expenses during the reported periods. Significant estimates in these Consolidated Financial Statements include restructuring and other non-recurring (credits) charges, purchase accounting reserves, allowances

for doubtful accounts receivable, estimates of future cash flows associated with assets, asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, environmental liabilities, income taxes and tax valuation reserves, and the determination of discount and other rate assumptions for pension and post-retirement employee benefit expenses. Actual results could differ from these estimates.

RECLASSIFICATION Certain amounts for 2000 and 1999 have been reclassified to conform to the 2001 presentation.

NOTE C. BUSINESS COMBINATIONS - FORMATION OF POLYONE

On August 31, 2000, the Company was formed as a result of the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna), with Geon as the acquiring entity. In connection with the consolidation, each outstanding share of Geon common stock was converted into two shares of PolyOne and each outstanding share of Hanna common stock was converted into one share of PolyOne. The conversion of the Geon shares was treated in a manner similar to a two-for-one stock split. Per share data for 2000 and 1999 have been restated to reflect the effects of the conversion.

The assets acquired and liabilities assumed in the acquisition of Hanna were recorded at estimated fair values as determined by PolyOne's management. The Company obtained independent appraisals for the fair value of acquired property, plant and equipment, and identified intangible assets, and completed a review and determination of the other assets acquired and liabilities assumed during August 2001.

A summary of the assets acquired and liabilities assumed in the Hanna acquisition follows:

In millions	
Recorded fair values	
Assets acquired	$1,216.2
Liabilities assumed	(993.4)
Goodwill	322.9
Purchase price	$ 545.7

As a result of the acquisition of Hanna, PolyOne incurred employee separation and plant phase-out costs for incremental expenditures to exit and consolidate activities at former Hanna locations, to involuntarily terminate former Hanna employees, and to integrate operating locations and other activities of the newly formed PolyOne. These costs have been reflected as assumed liabilities in the above purchase price allocation.

In addition to the Hanna acquisition, the Company acquired businesses for a combined purchase price, net of cash, of $2.4 million in 2000 and $233.5 million in 1999. All acquisitions were accounted for using the purchase method and, accordingly, the Consolidated Statements of Income include the results of the acquired businesses from the effective date of acquisition.

In October 2001, the Company announced that it had entered into a process to acquire 100% of the shares of TRANSCOLOR S.A. in 2002. TRANSCOLOR S.A. is a color concentrates producer in Spain, with annual revenues of approximately $30 million. The components of the acquisition integration liabilities are as follows:

In millions, except employee numbers	Employee Separation		Plant Phase-Out Costs		
	Number of Employees	Costs	Cash Closure	Asset Write-Downs	Total
Balance at December 31, 1999	--	$ --	$ --	$ --	$ --
2000 purchase accrual	135	15.1	--	--	15.1
Utilized in 2000	(27)	(4.4)	--	--	(4.4)
Balance at December 31, 2000	108	10.7	--	--	10.7
2001 purchase accrual	671	17.3	7.6	17.9	42.8
Utilized in 2001	(375)	(16.2)	(1.0)	(17.5)	(34.7)
Balance at December 31, 2001	404	$ 11.8	$ 6.6	$ 0.4	$ 18.8

NOTE D. EMPLOYEE SEPARATION AND PLANT PHASE-OUT

During 2001, subsequent to the formation of PolyOne and related to the integration activities, the Company incurred various employee separation and plant phase-out costs. These costs included severance, employee outplacement, external consulting, lease termination, facility closing and the writedown of the carrying value of plants and equipment. These employee separation and plant phase-out costs have been accrued and recognized as expense in the Consolidated Statements of Income. In addition, the Company incurred other employee separation and plant phase-out costs in 2000.

2001 CHARGES: Operating income in 2001 for the Performance Plastics segment was reduced by charges of $36.1 million ($22.0 million after tax) for costs associated with integration efforts and programs to update North American manufacturing. The costs included $21.0 million for employee separation, $2.1 million for cash plant closing and $13.0 million for the writedown of the carrying value of plant and equipment. The employee separation consisted of severance and other related employee benefits, and includes the projected termination of approximately 400 employees. Approximately 300 employees remain to be terminated in 2002 in association with the vinyl manufacturing restructuring announced in November 2001.

2000 CHARGES: Operating income in 2000 was reduced by charges of $3.4 million ($2.1 million after tax) for costs associated with the closing of an engineered films facility. This facility closed in February 2001, with the elimination of all positions at the plant during the first six months of 2001. During 2001, the Company reassessed the value of the facility that was closed and recorded an impairment charge of $3.8 million.

In millions, except employee numbers	Employee Separation		Plant Phase-Out Costs		
	Number of Employees	Costs	Cash Closure	Asset Write-Downs	Total
Balance at December 31, 1999	--	$ 0.5	$ --	$ --	$ 0.5
2000 charges	80	2.5	--	0.3	2.8
Utilized in 2000	(2)	(0.6)	--	(0.3)	(0.9)
Balance at December 31, 2000	78	2.4	--	--	2.4
2001 charges	400	21.0	2.1	13.0	36.1
Utilized in 2001	(178)	(6.4)	(0.2)	(13.0)	$(19.6)
Balance at December 31, 2001	300	$ 17.0	$ 1.9	$ --	$ 18.9

NOTE E. OXYVINYLS JOINT VENTURE FORMATION

On April 30, 1999, the Company completed certain transactions with Occidental Chemical Corporation (OxyChem), which included the formation of Oxy Vinyls, LP (OxyVinyls), a manufacturer and marketer of polyvinyl chloride (PVC) resins. OxyVinyls is a leading producer of PVC resins in North America, with PolyOne holding a 24% ownership interest and OxyChem owning 76%.

In conjunction with the transactions, PolyOne realized approximately $104.0 million through retention of certain working capital from its businesses contributed to OxyVinyls and the distribution of cash from OxyVinyls. This $104.0 million comprised cash received from OxyChem of $77.5 million and retained working capital of $62.0 million, less $27.0 million paid by PolyOne to OxyChem for the purchase of the acquired businesses and $9.0 million representing PolyOne's incremental share of OxyVinyls' incremental financing.

As a result of these transactions, the Company recognized a pre-tax gain of $93.5 million representing the excess of the fair value received over the book value of net assets contributed. This gain was net of certain one-time costs directly related to the transactions.

In conjunction with these transactions, PolyOne entered into PVC resin and vinyl chloride monomer (VCM) supply agreements with OxyVinyls under which PolyOne purchases a substantial portion of its PVC resin and all of its VCM. The agreements have an initial term of 15 years, with PolyOne having the right to renew for two five-year option periods. The Company also has entered into various service agreements with the partnership.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F. FINANCIAL INFORMATION OF EQUITY AFFILIATES

The Company's Resin and Intermediates (R&I) segment consists primarily of investments in equity affiliates. Summarized financial information for OxyVinyls follows. In December 2001, OxyVinyls announced the temporary closing of its Deer Park, Texas, chlor-alkali plant, which has a book carrying value of approximately $139 million. OxyVinyls intends to restart the plant when market conditions improve.

In millions	2001	2000
OxyVinyls:		
Net sales	$ 1,546.3	$ 1,892.3
Employee separation and liabilities associated with the temporary idling of a plant	(18.2)	--
Operating income (loss)	(14.7)	147.3
Partnership income (loss) as reported by OxyVinyls	(13.9)	146.2
PolyOne's ownership of OxyVinyls	24%	24%
PolyOne's proportionate share of OxyVinyls' earnings (loss)	(3.3)	35.1
Amortization of the difference between PolyOne's investment and its underlying share of OxyVinyls' equity	0.6	0.6
Earnings (loss) of equity affiliate recorded by PolyOne	$ (2.7)	$ 35.7
Current assets	$ 287.2	$ 347.7
Non-current assets	1,006.1	1,045.1
Total assets	$ 1,293.3	$ 1,392.8
Current liabilities	$ 178.7	$ 247.8
Non-current liabilities	81.6	93.9
Total liabilities	$ 260.3	$ 341.7

The Company's R&I segment also includes the SunBelt Chlor-Alkali (owned 50%) and Australian Vinyls Corporation (owned 37.4%) equity affiliates. The Performance Plastics segment includes the DH Compounding Company (owned 50%), Geon/Polimeros Andinos (owned 51%), SPCGeon PTE Limited (owned 50%) and Techmer, PM, LLC (owned 51%) equity affiliates. Combined summarized financial information for these equity affiliates follows. The sale of Australian Vinyls Corporation's PVC resin operations was announced on January 11, 2002; the sale closed in February 2002. In December 2001, PolyOne recognized an investment impairment charge of $9.5 million, including a $4.9 million translation loss, in connection with the pending sale. The retained Australian compound operations are named Welvic Australia Pty Ltd. The amounts shown represent the entire operations of these businesses, rather than the Company's proportionate share.

In millions	2001	2000
Net sales	$ 359.0	$ 323.2
Operating income (loss)	(32.7)	28.4
Net income (loss)	$ (34.1)	$ 3.8
Current assets	$ 96.4	$ 112.3
Non-current assets	220.5	267.1
Total assets	$ 316.9	$ 379.4
Current liabilities	$ 55.3	$ 42.5
Non-current liabilities	196.6	219.5
Total liabilities	$ 251.9	$ 262.0

OxyVinyls purchases chlorine from SunBelt under an agreement that expires in 2094. The agreement requires OxyVinyls to purchase at market price, less a discount, all chlorine produced by SunBelt up to a maximum of 250,000 tons per year. OxyVinyls chlorine purchases from SunBelt totaled $9.8 million in 2001 and $38.7 million in 2000.

NOTE G. FINANCING ARRANGEMENTS

Long-term debt at December 31 consisted of the following:

In millions	2001	2000
9.375% senior notes due 2003 (converted to floating rate of 7.96% by interest rate swap - see Note T)	$ 91.5	$ 91.1
6.875% debentures due 2005 (converted to floating rate of 4.5675% by interest rate swap - see Note T)	75.2	75.0

7.500% debentures due 2015	50.0	50.0
Medium-term notes - interest rates from 6.52% to 7.16% with a weighted average of 6.85% - due between 2004 and 2011 ($20.0 at 6.875% converted to 5.0825% by interest rate swap - see Note T)	151.1	149.4
Deutsche mark denominated, at 5.1%, due 2003	40.5	43.2
Colombian peso denominated, at 14.02% to 15.93%, due 2004-2005	11.4	11.3
Italian lira denominated, at 2% to 5.1%, due 2003-2008	6.5	4.2
Bank borrowings	5.2	8.9
	431.4	433.1
Less current portion	4.6	2.6
	$ 426.8	$ 430.5

Aggregate maturities of long-term debt for the next five years are: 2002-$4.6 million; 2003-$135.8 million; 2004-$25.3 million; 2005-$102.3 million; 2006-$20.1 million; and thereafter-$143.3 million.

In October 2001, the Company's $100 million 364-day revolving credit facility expired. In November 2001, the Company amended its five-year revolving credit facility. The November 2001 amendment reduced the existing facility from $200 million to $150 million, shortened the maturity date to October 2004 and modified existing financial ratios to be maintained. The amended agreement provides for interest rates to be determined at the time of borrowing based on a choice of formulas specified in the agreement. There were no borrowings under this agreement at December 31, 2001.

The weighted-average interest on short-term borrowings was 4.0% and 7.5% at December 31, 2001 and 2000, respectively. Interest paid amounted to $42.5 million, $38.6 million and $16.7 million in 2001, 2000 and 1999, respectively. The Company capitalized $1.1 million of interest costs during 2001 in connection with the implementation of a common management business information systems platform.

The Company's bank agreements require, among other things, that the Company comply with interest coverage, borrowed debt-to-EBITDA earnings and tangible assets-to-indebtedness ratios. The revolving credit agreement requires the maintenance of certain defined financial ratios and, at certain levels, would require limits on certain spending for dividends, capital expenditures and acquisitions, and/or the granting of security in specified assets and certain subsidiary stock. Any granting of security under the revolving credit agreement would require similar security for the outstanding public debt. No restrictions were in effect as of December 31, 2001.

NOTE H. LEASING ARRANGEMENTS

The Company leases certain manufacturing facilities, warehouse space, machinery and equipment, automobiles and railcars under operating leases. Rent expense amounted to $25.7 million in 2001, $21.3 million in 2000 and $20.9 million in 1999.

The future minimum lease payments under non-cancelable operating leases with initial lease terms in excess of one year at December 31, 2001, are as follows: 2002-$17.1 million; 2003-$13.1 million; 2004-$7.8 million; 2005-$4.9 million; 2006-$3.3 million; and thereafter-$5.1 million.

NOTE I. SALE OF ACCOUNTS RECEIVABLE

PolyOne participates in a bank program to provide liquidity through the sale of accounts receivable at a cost similar to commercial paper. In 2001, the Company amended an agreement with a bank to sell an undivided interest in certain trade accounts receivable under which, on an ongoing basis, a maximum of $250.0 million ($100.0 million in 2000) can be sold from a designated pool, subject to limited recourse. In this securitization, the Company retains servicing responsibilities. The Company receives an annual servicing fee, approximating 1/4 of 1% of the outstanding balance. Payments are collected from the sold accounts receivable, the collections are reinvested in new accounts receivable for the buyers and a yield based on defined short-term market rates is transferred to the buyers. Buyers have collection rights to recover payments from the receivables in the designated pool. Sales of accounts receivable averaged $196.8 million in 2001, $87.5 million in 2000 and $69.6 million in 1999. Trade accounts receivable are net of $217.5 million on the December 31, 2001, Consolidated Balance Sheet and $100.0 million on the December 31, 2000, Consolidated Balance Sheet, representing the interest in receivables sold under this agreement. The discount from the Company's sales of receivables, net of servicing fee, is included in other expense, net, in the Consolidated Statements of Income.

NOTE J. INVENTORIES

In millions	December 31, 2001	2000
At FIFO or average cost, which approximates current costs:		
Finished products and in process	$ 154.8	$ 201.4
Raw materials and supplies	117.0	159.8
	271.8	361.2
Reserve to reduce certain inventories to LIFO cost basis	(16.5)	(24.1)
	$ 255.3	$ 337.1

Approximately 44% of the Company's inventory had been valued by the LIFO method at December 31, 2001, and 43% at December 31, 2000.

NOTE K. PROPERTY

In millions	December 31, 2001	2000
Land and land improvements	$ 62.0	$ 55.3
Buildings	287.2	287.5
Machinery and equipment	864.3	823.6
	1,213.5	1,166.4
Less accumulated depreciation and amortization	(529.9)	(462.6)
	$ 683.6	$ 703.8

NOTE L. OTHER BALANCE SHEET LIABILITIES

	Accrued Expenses		Non-current Liabilities	
In millions	December 31, 2001	2000	December 31, 2001	2000
Employment costs	$ 68.5	$ 80.9	$ 21.1	$ 43.7
Environmental	4.1	10.0	52.1	48.4
Taxes, other than income	8.5	8.3	--	--
Post-retirement benefits	12.5	12.7	--	--
Pension	--	--	95.6	31.8
Employee separation and plant phase-out	36.5	13.1	1.2	--
Other	39.3	50.7	44.5	25.1
	$169.4	$175.7	$214.5	$149.0

NOTE M. EMPLOYEE BENEFIT PLANS

The Company has four defined-benefit pension plans under which service benefits are accruing for certain U.S. employees. The Company's salaried plan closed participation to employees after December 31, 1999. The plans generally provide benefit payments using a formula based on employee compensation and length of service. Annual contributions to the plans are sufficient to satisfy legal requirements. Plan assets consist principally of corporate and government obligations and funds invested in equities, including stock of the Company. Two of the Company's pension plans are unfunded non-qualified pension plans that provide supplemental pension benefits for senior executives. In connection with the acquisitions of Hanna and O'Sullivan, the Company assumed the obligations and assets of Hanna's and O'Sullivan's defined-benefit pension plans, covering certain Hanna and O'Sullivan employees. Benefits earned under Hanna's and O'Sullivan's defined-benefit pension plans have been frozen.

A charge of $9.0 million for curtailment and special termination benefits was recorded in 1999 related to the transfer of R&I employees from Geon to OxyVinyls. This charge is included in the gain on formation of joint ventures, net of formation expenses, in the Consolidated Statements of Income.

The Company recorded an intangible asset of $1.4 million related to both funded and unfunded pension plans as of December 31, 2001, and of $1.8 million as of December 31, 2000. The Company's accumulated other non-owner equity changes included $59.5 million at December 31, 2001, and $20.6 million at December 31, 2000, related to the accumulated minimum pension liability. The Company reports other non-owner equity changes, net of the related income tax expense or benefit, in the Consolidated Statements of Share-holders' Equity. The income tax (expense) benefit related to the adjustment of the minimum pension liability was $32.0 million in 2001, $11.1 million in 2000 and $(4.1) million in 1999.

The Company sponsors several unfunded defined-benefit post-retirement plans that provide certain health care and life insurance benefits to eligible employees. The health care plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and co-insurance. The life insurance plans are generally non-contributory.

The following tables set forth the change in benefit obligation, change in plan assets' funded status and amounts recognized in the Consolidated Balance Sheets related to the defined-benefit pension and post-retirement health care benefit plans.

In millions	Pension Benefits		Health Care Benefits	
	2001	2000	2001	2000
Change in benefit obligation				
Benefit obligation - beginning of year	$ 415.3	$ 292.5	$ 155.0	$ 86.2
Service cost	5.0	4.2	0.8	0.8
Interest cost	30.7	25.0	10.2	7.9
Participant contributions	--	--	2.0	0.9
Benefits paid	(34.2)	(25.5)	(16.8)	(12.7)
Acquired businesses and plan amendments	0.1	101.0	--	54.3
Change in discount rate and other	25.5	18.1	(5.7)	17.6
Benefit obligation - end of year	442.4	415.3	145.5	155.0
Projected salary increases	31.4	26.4	--	--
Accumulated benefit obligation	$ 411.0	$ 388.9	$ 145.5	$ 155.0
Change in plan assets				
Plan assets - beginning of year	$ 353.2	$ 256.5	$ --	$ --
Actual return on plan assets	(11.4)	6.8	--	--
Company contributions	4.5	7.3	--	--
Acquired businesses	--	107.7	--	--
Benefits paid	(34.2)	(25.1)	--	--
Plan assets - end of year	$ 312.1	$ 353.2	$ --	$ --
Funded status				
Plan assets less than projected benefit obligation	$ 130.3	$ 62.1	$ 145.5	$ 155.0
Unamortized				
Transition liability	(0.7)	(1.4)	--	--
Prior service cost	(0.7)	(0.8)	(0.9)	--
Net actuarial gain (loss)	(126.2)	(61.6)	(5.9)	(12.4)
Cumulative adjustment to recognized minimum liability	92.9	33.5	--	--
Accrued benefit cost	$ 95.6	$ 31.8	$ 138.7	$ 142.6

The following table summarizes the assumptions used by the consulting actuaries, and the related benefit cost information.

Dollars in millions	Pension Benefits			Health Care Benefits		
	2001	2000	1999	2001	2000	1999
Assumptions						
Discount rate	7.25%	7.5%	7.7%	7.25%	7.5%	7.7%
Future compensation	4.0-7.0%	4.0-7.0%	4.0-7.0%	--	--	--
Expected long-term return on plan assets	9.0%	9.0%	9.5%	--	--	--
Components of net periodic benefit costs						
Service cost	$ 5.0	$ 4.2	$ 3.7	$ 0.8	$ 0.8	$ 0.5
Interest cost	30.7	25.0	21.1	10.2	7.9	6.2
Curtailment loss and special termination benefits	--	--	9.0	--	--	--
Expected return on plan assets	(29.9)	(26.8)	(22.6)	--	--	--
Amortization of unrecognized losses, transition obligation and prior service cost	3.7	1.9	2.6	(0.1)	--	--
	$ 9.5	$ 4.3	$ 13.8	$ 10.9	$ 8.7	$ 6.7

The combined projected benefit obligation (PBO) included the PBO of unfunded plans of $34.3 million at December 31, 2001, and $31.3 million at December 31, 2000. The accumulated benefit obligation (ABO) of these unfunded plans was $32.6 million at December 31, 2001, and $28.8 million at December 31, 2000. The remaining PBO relates to the Company's funded pension plans, including the acquired Hanna and O'Sullivan plans. At December 31, 2001, the Company had six plans with a PBO and an ABO in excess of the related plan assets. These included the Company's salaried and wage plans, two plans acquired with O'Sullivan and two plans acquired with Hanna. For these plans, at December 31, 2001, the PBO was $401.6 million, the ABO was $371.9 million and the fair value of plan assets was $301.7 million.

For measurement purposes, the Company assumed an average annual rate of increase in the per capita cost of health care benefits (health care cost trend rates) of 8.5% for 2002, declining gradually to 5.5% in 2008 and thereafter. A change in the assumed health care cost trend rates of 1% in each year would increase or decrease the benefit obligation as of December 31, 2001, by approximately $13.6 million, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2001 by $1.0 million.

The Company sponsors three voluntary retirement savings plans (RSP). Under provisions of these plans, eligible employees can receive Company matching contributions on up to the first 6% of their eligible earnings. In addition, the Company may make discretionary profit-sharing contributions to these plans for eligible employees. The Company made no such contribution in 2001 or 2000, and $2.2 million was contributed in 1999. Also, the Company continues to sponsor defined-retirement contribution plans for certain employees, which provide for Company contributions of a specified percentage of each employee's compensation. Following are the Company contributions to the RSP:

In millions	2001	2000	1999
Retirement savings match	$ 8.9	$ 9.2	$7.6
Profit sharing	--	--	2.2
Defined-retirement benefit	6.7	1.4	--
	$15.6	$10.6	$9.8

NOTE N. COMMITMENTS AND RELATED-PARTY INFORMATION

ENVIRONMENTAL The Company has been notified by federal and state environmental agencies and by private parties that it may be a potentially responsible party (PRP) in connection with several environmental sites. While government agencies frequently claim PRPs are jointly and severally liable at these sites, in the Company's experience, interim and final allocation of liability costs are generally made based on the relative contribution of waste. The Company believes that its potential continuing lia- bility with respect to such sites will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. In addition, the Company initiates corrective and preventive environmental projects of its own to ensure safe and lawful activities at its operations. The Company believes that compliance with current governmental regulations at all levels will not have a material adverse effect on its financial condition. Based on estimates prepared by the Company's environmental engineers and consultants, the Company, at December 31, 2001, had accruals totaling $56.2 million to cover probable future environmental expenditures relating to previously contaminated sites. The accrual represents the Company's best estimate for the remaining remediation costs, based upon information and technology currently available. Depending upon the results of future testing and the ultimate remediation alternatives undertaken at these sites, the probable range of costs to be incurred could be more or less than the accrual at December 31, 2001, by as much as $19.5 million and $19.9 million, respectively. The Company's estimate of the liability may be revised as new regulations, technologies or additional information is obtained. Environmental expense incurred was $3.9 million in 2001, $2.2 million in 2000 and $1.7 million in 1999.

GUARANTEES In connection with the formation of OxyVinyls, the Company has guaranteed $42.3 million of OxyVinyls' borrowings from Occidental Petroleum Corporation. This guarantee terminates on the later of April 30, 2002, or when OxyVinyls attains a defined amount of cumulative earnings before income taxes, depreciation and amortization. The Company also has guaranteed $97.5 million of SunBelt's outstanding senior secured notes, maturing in 2017.

RELATED-PARTY TRANSACTIONS The Company purchases a substantial portion of its PVC resin and all of its VCM raw materials under the terms of supply agreements with OxyVinyls. The agreements have an initial term of 15 years, with PolyOne having the right to renew for two five-year option periods. The Company also has entered into various service agreements with OxyVinyls. Net amounts owed to OxyVinyls, primarily for raw material purchases, totaled $14.2 million at December 31, 2001, and $16.1 million at December 31, 2000. The Company's purchases of raw materials from OxyVinyls totaled approximately $184 million during 2001 and $297 million during 2000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O. OTHER EXPENSE, NET

In millions	2001	2000	1999
Currency exchange gain (loss), net of foreign exchange contracts	$ (0.8)	$ 2.8	$ (0.4)
Discount on sale of trade receivables	(8.1)	(5.8)	(3.5)
Investment writedown	(10.1)	--	--
Litigation settlement gain	3.1	--	--
Other income (expense), net	0.9	(0.6)	0.3
	$ (15.0)	$ (3.6)	$ (3.6)

NOTE P. INCOME TAXES

Income (loss) before income taxes and cumulative effect of a change in accounting consists of the following:

In millions	2001	2000	1999
Domestic	$(81.2)	$23.8	$179.6
Foreign	9.5	2.3	(5.6)
	$(71.7)	$26.1	$174.0

A summary of income tax expense (benefit) follows:

In millions	2001	2000	1999
Current:			
Federal	$ --	$ 0.1	$ --
State	(0.5)	1.0	1.2
Foreign	3.9	0.8	5.3
Total current	3.4	1.9	6.5
Deferred:			
Federal	(26.1)	8.7	61.3
State	(4.3)	(1.2)	6.8
Foreign	1.4	0.8	(6.8)
Total deferred	(29.0)	8.3	61.3
Total tax expense (benefit)	$(25.6)	$10.2	$67.8

The income tax rate for financial reporting purposes varied from the federal statutory rate as follows:

	2001	2000	1999
Federal statutory income tax rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	4.3	(0.4)	3.0
Goodwill	(3.2)	7.7	0.5
Differences in rates of foreign operations	(1.4)	3.4	--
Enacted tax rate reduction	--	(5.4)	--
Other, net	1.0	(1.2)	0.5
Effective income tax rate	35.7%	39.1%	39.0%

Significant components of the Company's deferred tax liabilities and assets at December 31 were as follows:

In millions	2001	2000
Deferred tax liabilities:		
Tax over book depreciation	$ 72.2	$ 70.6
Intangibles	23.0	17.3
Equity investments	140.9	142.2
State taxes	4.9	5.0
Other, net	36.4	15.2
Total deferred tax liabilities	277.4	250.3
Deferred tax assets:		
Post-retirement benefits other than pensions	51.7	49.9
Employment cost and pension	44.4	33.7
Employee separation and plant phase-out	17.4	--
Environmental	18.8	19.9
Net operating loss carryforward	82.3	41.5
LIFO inventory	2.5	1.7
Alternative minimum tax credit carryforward	5.8	5.6
Foreign net operating losses and tax credit carryforward	10.7	13.7
Foreign net operating losses and tax credit carryforward valuation allowance	(10.7)	(13.7)
Other, net	31.5	14.7
Total deferred tax assets	254.4	167.0
Net deferred tax liabilities	$ 23.0	$ 83.3

SFAS No. 109, "Accounting for Income Taxes," requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. As realization of the foreign tax credit carryforwards is considered uncertain, a valuation allowance has been recorded. Approximately $6.4 million of the valuation allowance relates to the consolidation with Hanna and will reduce goodwill upon subsequent recognition of the related tax benefit. The Company believes that the timing of the reversal of its deferred tax liabilities will be sufficient to fully recognize its remaining deferred tax assets.

The Company had provided for U.S. federal and foreign withholding tax on $22.0 million, or 12%, of foreign subsidiaries' undistributed earnings as of December 31, 2001. Regarding the undistributed earnings on which no federal and foreign withholding tax has been provided, earnings are intended to be reinvested indefinitely. It is not practical to determine the amount of income tax liability that would result had such earnings actually been repatriated.

During 2001, the Company received income tax refunds net of taxes paid of $4.1 million. The Company paid income taxes net of refunds of $4.2 million in 2000 and $8.8 million in 1999. The Company has a net operating loss carryforward of approximately $235.2 million, of which $11.9 million will expire in 2011, $22.2 million will expire in 2012, $66.6 million will expire in 2018, $5.6 million will expire in 2019, $12.4 million will expire in 2020 and the remaining $116.5 million will expire in 2021. In addition, the Company has an alternative minimum tax loss carryforward of $142.2 million and an alternative minimum tax credit carryforward of $5.8 million.

NOTE Q. SHAREHOLDERS' EQUITY

The Company's incentive stock plans provide for the awarding or granting of options to purchase common stock of the Company. Generally, options granted become exercisable at the rate of 35% after one year, 70% after two years and 100% after three years. For 2001 grants, the amount scheduled to vest in the third year may vest earlier based upon the stock performance. The term of each option cannot extend beyond 10 years from the date of grant. In 2001, in addition to the 10-year term option, stock options were granted that vest on the third anniversary of the date of grant and have a term of 39 months. All options under the plans have been granted at 100% of market (as defined) on the date of the grant. The Company also has a stock plan for non-employee directors under which options are granted.

During 1998, the Company issued 2.2 million stock options under a three-year, long-term incentive plan. As a result of the consolidation, all outstanding options, with the exception of unearned challenge grant options, became vested under the change-in-control provisions of the plan then in effect.

In August 2000, shareholders approved the 2000 Stock Incentive Plan (Incentive Plan). The Incentive Plan is administered by a committee of the Board of Directors. Officers, employees and non-employee directors are eligible to participate. The Incentive Plan provides for the award of a broad variety of stock-based compensation alternatives such as non-qualified stock options, incentive stock options, restricted stock, performance awards and stock appreciation rights. A total of 4.5 million shares may be granted under the Incentive Plan. The options have the same term and pricing structure as options granted under the Company's other incentive stock plans.

A summary of stock option activity follows:

In thousands, except per share data	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 1999	7,616	$ 10.44
Issued	298	12.33
Exercised	(902)	9.82
Forfeited	(74)	10.93
Outstanding at December 31, 1999	6,938	10.63
Hanna options assumed at merger date	4,295	15.24
Issued	2,628	10.19
Exercised	(121)	10.32
Forfeited	(84)	11.68
Outstanding at December 31, 2000	13,656	11.98
Issued	1,531	8.70
Exercised	(128)	8.41
Forfeited	(529)	11.69
Outstanding at December 31, 2001	14,530	11.68
Exercisable at December 31, 2001	10,258	12.73
Exercisable at December 31, 2000	10,099	12.46
Exercisable at December 31, 1999	4,586	10.58
At December 31, 2001:		
Exercisable options:		
Exercise price: $7.46 - $17.00	9,194	11.78
Exercise price: $17.01 - $26.82	1,064	20.88
Unexercisable options:		
Exercise price: $7.46 - $17.00	4,272	9.16
Exercise price: $17.01 - $26.82	--	--

At December 31, 2001, the weighted-average remaining life for options with an exercise price of $17.00 or less was 4.3 years. Options with an exercise price of more than $17.00 had a remaining life of 4.6 years.

Under the Company's prior incentive programs, senior executives and other key employees are also eligible to receive annual bonus awards, consisting of stock or a combination of stock and cash. Under these plans, performance measures are established and used to determine the payout, if any. The Company granted 0.2 million shares of stock under these annual incentive stock plans in both 2000 and 1999. These annual stock awards are restricted, with the restriction generally lapsing after three years. As a result of the consolidation, all restrictions lapsed under the change-in-control provisions of the plan then in effect. Incentive plans for 2001 for senior executives and other key employees will pay out in cash.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its incentive plans. Accordingly, no compensation cost has been recognized for its fixed option plans because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Had the compensation cost for the stock options granted been determined based upon the fair value at the grant date, consistent with the fair value method of FASB Statement No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings and earnings per share would have been reduced by $4.1 million ($0.05 per diluted share) in 2001, $4.0 million ($0.06 per diluted share) in 2000 and $2.1 million ($0.05 per diluted share) in 1999. The weighted-average fair value of stock options granted per share was $3.28 for 2001, $3.90 for 2000 and $4.76 for 1999. The fair value of the stock options at the grant date was estimated using the Black-Scholes option-pricing model. The following assumptions were used for the Black-Scholes option-pricing model:

	2001	2000	1999
Risk-free interest rate	4.8%	5.2%	6.1%
Dividend yield	2.5%	2.0%	1.7%
Stock price volatility	41.2%	36.7%	32.7%

A seven-year weighted-average life was used for all periods.

The compensation cost recognized relating to the stock portion of the annual incentive plans, three-year incentive plan and amortization of restricted stock awarded amounted to $1.3 million in 2001, $10.3 million in 2000 and $5.8 million in 1999. The weighted-average fair value per share of restricted stock and stock awards under the long-term incentive plan on the grant date was $7.34 for 2001, $14.95 for 2000 and $11.69 for 1999.

At December 31, 2001, approximately 10.3 million shares were reserved for future issuance upon exercise of stock options previously granted, and approximately 8.1 million shares were available for future grants under the Company's incentive plans.

In May 2000, the Company established a Share Ownership Trust (SOT) with an initial contribution of 1.0 million shares from treasury. Hanna also had a SOT to fund a portion of employee compensation and employee benefit plans. Effective May 2, 2001, the Board of Directors of the Company approved the termination of both SOTs to simplify the administration of the Company's stock-based compensation plans. PolyOne shares remaining in the two trusts will be reacquired by the Company in accordance with the terms of the trusts and held in treasury. The termination of the two trusts has no impact on Company earnings, earnings per share or shareholders' equity. Shares remaining in the SOT are adjusted at each balance sheet date to their respective market value with the offsetting entry to additional paid-in capital. Shares remaining in the SOT are not considered outstanding for purposes of computing earnings per share.

In September 2000, the Company awarded an option of 200 shares to all eligible PolyOne employees. The option will vest on the second anniversary of the date of grant and have a 10-year term.

During the first half of 2001, the Compensation Committee of PolyOne's Board of Directors authorized the issuance of 532,800 shares of restricted PolyOne stock to certain PolyOne executives. The restricted shares were valued at $7.22 per share and were issued from The Geon Company Share Ownership Trust. An additional 40,000 shares were issued in the fourth quarter of 2001. These shares were valued at $8.96 per share and were issued from shares held in treasury. Shares vest and restrictions lapse three years from the date of grant. Accordingly, the Company has recorded the grants as unearned compensation to be recognized as compensation expense over the three-year vesting period.

NOTE R. SEGMENT INFORMATION

The Company operates primarily in four business segments: Performance Plastics, Elastomers and Performance Additives, (E&A), Distribution, and Resin and Intermediates (R&I). The addition of the E&A and Distribution segments in 2000 resulted from the merger with Hanna. The Performance Plastics segment is a combination of the former Geon Performance Polymers & Services segment and Hanna's Plastic Processing segment. The accounting policies of each business segment are consistent with those described in the "Summary of Significant Accounting Policies." Inter-segment sales are accounted for at prices that generally approximate those for similar transactions with unaffiliated customers. The elimination of inter-segment sales revenue in 1999 is primarily for sales from the R&I segment to the Performance Plastics segment, and is included in the Other segment. Certain other corporate expenses and eliminations are also included in the Other segment. Business segment assets consist primarily of customer receivables, inventories, net property and goodwill. Cash, sales of accounts receivable and certain other assets not identified with a specific segment are included in the Other segment.

In millions	Total	Elastomers and Performance Plastics	Performance Additives	Distribution	Resin and Intermediates	Other
Year ended December 31, 2001:						
Net sales	$ 2,654.6	$ 1,836.7	$ 402.6	$ 462.6	$ --	$(47.3)
Operating income (loss)	(17.1)	17.5	10.2	(0.4)	(22.0)	(22.4)
Employee separation and plant phase-out	36.1	36.1				
Merger and integration costs	1.1	0.1				1.0
Period cost of closed facilities	0.2	0.2				
Restructuring and plant idling costs incurred by equity affiliates(1)	9.4				9.4	
Executive separation	4.8					4.8
Operating income (loss) before restructuring costs, merger and integration costs, and executive separation costs	34.5	53.9	10.2	(0.4)	(12.6)	(16.6)
Depreciation and amortization	91.3	70.3	16.6	2.9		1.5
Operating income (loss) before depreciation and amortization, restructuring costs, merger and integration costs, and executive separation costs	125.8	124.2	26.8	2.5	(12.6)	(15.1)
Total assets	2,061.2	1,470.1	285.4	122.2	244.6	(61.1)
Capital expenditures	80.2	33.1	10.0	1.9		35.2
Year ended December 31, 2000:						
Net sales	$ 1,887.8	$ 1,594.7	$ 145.8	$ 158.9	$ --	$(11.6)
Operating income (loss)	64.8	52.5	7.6	2.1	27.9	(25.3)
Employee separation and plant phase-out	2.8	2.8				
Charge for acquired profit in inventory	2.8	2.3	0.5			
Merger and integration costs	9.5					9.5
Pension termination and debt placement costs	1.6					1.6
Operating income (loss) before restructuring costs; acquired profit in inventory, merger and integration costs; and pension termination and debt placement costs	81.5	57.6	8.1	2.1	27.9	(14.2)
Depreciation and amortization	57.4	49.5	5.8	2.1		
Operating income (loss) before depreciation and amortization; restructuring costs; acquired profit in inventory, merger and integration costs; and pension termination and debt placement costs	138.9	107.1	13.9	4.2	27.9	(14.2)
Total assets	2,460.7	1,607.6	320.9	167.0	262.5	102.7
Capital expenditures	62.7	42.9	7.1	0.6		12.1
Year ended December 31, 1999:						
Net sales	$ 1,261.2	$ 1,107.1			$ 191.5	$(37.4)
Operating income (loss)	99.7	104.1			1.3	(5.7)
Employee separation and plant phase-out	0.5	0.5				
Other restructuring costs - accelerated depreciation	1.2	1.2				
Restructuring costs incurred by OxyVinyls	0.8				0.8	
Charge for acquired profit in inventory	3.2	3.2				
Operating income (loss) before restructuring costs and acquired inventory profit	105.4	109.0			2.1	(5.7)
Depreciation and amortization	43.2	33.1			10.1	
Operating income (loss) before depreciation, amortization, restructuring costs and acquired inventory profit	148.6	142.1			12.2	(5.7)
Total assets	1,162.6	905.2			247.7	9.7
Capital expenditures	60.1	49.1			4.0	7.0

(1) Employee severance, plant phase-out costs and liabilities associated with the temporary idling of a plant.

Earnings of equity affiliates are included in the related business segment earnings (loss) and the investment in equity affiliates is included in related business segment assets. Amounts related to equity affiliates included in the business segment information are as follows:

In millions	2001	2000	1999
Earnings of equity affiliates:			
Performance Plastics	$ 7.2	$ 1.2	$ 0.1
R&I	(14.7)	37.9	9.6
Other	(0.4)	--	--
Subtotal	(7.9)	39.1	9.7
Minority interest	(3.3)	(2.1)	--
Total	$ (11.2)	$ 37.0	$ 9.7
Investment in equity affiliates:			
Performance Plastics	$ 59.7	$ 60.0	$ 17.5
R&I	228.2	251.6	247.6
Total	$ 287.9	$ 311.6	$ 265.1

The Company's sales are principally to customers in the United States, Europe, Canada and Asia/Pacific, and the majority of the Company's assets are located in these geographic areas. Following is a summary of sales based on geographic areas from which the sales originated and assets by location:

In millions	2001	2000	1999
Net sales:			
United States	$ 2,031.4	$ 1,502.9	$ 1,056.1
Europe	345.4	132.2	--
Canada	180.3	215.4	190.6
Other	97.5	37.3	14.5
Long-lived assets:			
United States	$ 1,278.6	$ 1,322.6	$ 690.2
Europe	199.5	194.6	--
Canada	50.8	61.8	60.9
Other	55.4	85.2	53.8

NOTE S. WEIGHTED-AVERAGE SHARES USED IN COMPUTING EARNINGS PER SHARE

In millions	2001	2000	1999
Weighted-average shares - basic:			
Weighted-average shares outstanding	90.3	61.8	47.4
Less unearned portion of restricted stock awards included in outstanding shares	(0.5)	(0.4)	(0.8)
	89.8	61.4	46.6
Weighted-average shares - diluted:			
Weighted-average shares outstanding - basic	89.8	61.4	46.6
Plus unearned portion of restricted stock awards included in outstanding shares	--	0.4	0.8
Plus dilutive impact of stock options and stock awards	--	0.2	1.2
	89.8	62.0	48.6

The historical share amounts have been restated to reflect the conversion of each outstanding share of Geon common stock into two shares of PolyOne. At December 31, 2001, the Company had excluded all outstanding options from the calculation of diluted loss per share because they would have had an anti-dilutive effect (0.1 million shares).

NOTE T. FINANCIAL INSTRUMENTS

The Company transacts business in various foreign currencies, and is subject to financial exposure from foreign exchange rate movement between the date a foreign currency transaction is recorded and the date it is consummated. To mitigate this risk, the Company enters into foreign exchange contracts. Gains and losses on these contracts generally offset gains or losses on the assets and liabilities being hedged, and are recorded as other income or expense. Additionally, the Company enters into inter-company lending transactions. The Company also enters into foreign exchange contracts related to this foreign exchange exposure. Realized and unrealized gains and losses on these contracts are recorded as other income or expense. The Company does not hold or issue financial instruments for trading purposes.

The following table summarizes by currency the contractual amounts of the Company's foreign exchange contracts at December 31, 2001 (in millions). Foreign currency amounts are translated at exchange rates as of December 31, 2001. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

Currency	Buy	Sell
U.S. dollar	$ 68.1	$ 81.0
Euro	12.9	65.7
British pound sterling	1.9	9.3
Canadian dollar	62.6	--
Other	11.7	2.3

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

CASH AND CASH EQUIVALENTS: The carrying amounts reported in the balance sheet approximate fair value.

LONG- AND SHORT-TERM DEBT: The carrying amount of the Company's short-term borrowings approximates fair value. The fair value of the Company's senior notes, debentures and medium-term notes is based on quoted market prices. The carrying amount of the Company's borrowings under its variable-interest rate long-term revolving credit agreements and other long-term borrowings approximates fair value.

FOREIGN EXCHANGE CONTRACTS: The fair value of short-term foreign exchange contracts is based on exchange rates at December 31, 2001. The fair value of long-term foreign exchange contracts is based on quoted market prices for contracts with similar maturities.

INTEREST RATE SWAPS: The fair value of interest rate swap agreements, obtained from the respective financial institutions, is based on current rates of interest and is computed as the net present value of the remaining exchange obligations under the terms of the contract.

The carrying amounts and fair values of the Company's financial instruments at December 31 for the years 2001 and 2000 are as follows:

	2001		2000	
In millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 18.2	$ 18.2	$ 37.9	$ 37.9
Long-term debt				
9.375% senior notes	91.5	91.3	91.1	93.4
6.875% debentures	75.2	72.4	75.0	65.9
7.500% debentures	50.0	43.1	50.0	48.6
Medium-term notes	151.1	148.0	149.4	155.2
Bank borrowings	63.6	63.6	279.5	279.5
Foreign exchange contracts	(0.9)	(0.9)	(3.7)	(3.7)
Interest rate swaps	(1.6)	(1.6)	--	--

OTHER DATA

QUARTERLY DATA

(Unaudited)	2001 Quarters				2000 Quarters			
In millions, except per share data	Fourth	Third	Second	First	Fourth	Third	Second	First
Sales	$ 589.9	$ 659.6	$ 695.4	$ 709.7	$ 702.8	$ 478.3	$ 361.2	$ 345.5
Employee separation and plant phase-out	26.3	--	0.9	8.9	--	--	2.8	--
Operating income (loss)	(26.1)	15.5	16.8	(23.3)	(6.4)	11.1	30.4	29.7
Net income (loss)	(30.1)	2.9	2.5	(21.4)	(13.2)	0.5	14.8	13.8
Earnings (loss) per share:								
Basic	$ (0.33)	$ 0.03	$ 0.03	$ (0.24)	$ (0.15)	$ 0.01	$ 0.31	$ 0.29
Diluted	(0.33)	0.03	0.03	(0.24)	(0.15)	0.01	0.31	0.29
Dividend paid per common share	$0.0625	$0.0625	$0.0625	$0.0625	$0.0625	$0.0625	$0.0625	$0.0625
Common stock price								
High	$10.55	$ 10.70	$ 10.65	$ 9.49	$ 8.44	$ 9.88	$ 13.00	$ 17.25
Low	7.50	7.00	8.00	5.69	4.56	6.19	8.69	8.53

Senior management uses (1) operating income before special items and/or (2) operating income before special items and depreciation and amortization (similar to EBITDA, which is used by stock market analysts) to assess performance and allocate resources to business segments. Special items include gains and losses associated with specific strategic initiatives such as restructuring or consolidation of operations, gains and losses attributable to acquisitions or formation of joint ventures, and certain other one-time items. In addition, the Company's management uses net income before special items as a measure of the Company's overall earnings performance. Operating income before special items and net income before special items are non-GAAP measures, and may not be comparable to financial performance measures presented by other companies. The following table summarizes the special items included in the quarterly results:

	2001 Quarters				2000 Quarters			
In millions	Fourth	Third	Second	First	Fourth	Third	Second	First
Employee separation and plant phase-out costs	$(26.3)	$ --	$(0.9)	$ (8.9)	$ --	$ --	$(2.8)	$--
Merger and integration costs	--	(0.1)	(0.5)	(0.5)	(1.7)	(7.8)	--	--
Period cost of closed facilities	--	--	(0.2)	--	--	--	--	--
Equity investment restructuring and plant idling costs(1)	(3.3)	(5.1)	--	(1.0)	--	--	--	--
Executive separation cost	--	--	--	(4.8)	--	--	--	--
Charge for acquired profit in inventory	--	--	--	--	(1.6)	(1.2)	--	--
Directors' pension termination	--	--	--	--	--	--	(0.8)	--
Writeoff of debt placement cost	--	--	--	--	--	--	(0.8)	--
Subtotal - operating loss	(29.6)	(5.2)	(1.6)	(15.2)	(3.3)	(9.0)	(4.4)	--
Litigation settlement gain	--	--	4.1	--	--	--	--	--
Investment writedown	(9.5)	--	--	(0.6)	--	--	--	--
Other restructuring cost	--	--	--	--	--	--	(0.6)	--
Subtotal - pre-tax (expense) income	(39.1)	(5.2)	2.5	(15.8)	(3.3)	(9.0)	(5.0)	--
Subtotal - after-tax (expense) income	(24.6)	(3.2)	1.5	(9.6)	(1.9)	(5.6)	(3.1)	--
German tax rate adjustment	--	--	--	--	1.5	--	--	--
Total - after-tax (expense) income	$(24.6)	$(3.2)	$ 1.5	$ (9.6)	$(0.4)	$(5.6)	$(3.1)	$--

(1) Employee severance, plant phase-out costs and liabilities associated with the temporary idling of a plant.

SELECTED FINANCIAL DATA

In millions, except per share data	2001	2000	1999	1998	1997
Sales	$2,654.6	$1,887.8	$1,261.2	$1,284.4	$1,250.0
Employee separation and plant phase-out	36.1	2.8	0.5	14.6	15.0
Operating income (loss)	(17.1)	64.8	99.7	41.0	51.7
Income (loss) before extraordinary item and cumulative effect of a change in accounting	(46.1)	15.9	106.2	13.8	22.5
Cumulative effect of change in method of accounting	--	--	(1.5)	--	--
Net income (loss)	(46.1)	15.9	104.7	13.8	22.5
Basic earnings (loss) per share:					
Before extraordinary item and change in method of accounting	$(0.51)	$ 0.26	$ 2.28	$ 0.30	$ 0.49
Change in method of accounting	--	--	(0.03)	--	--
Net income (loss)	(0.51)	0.26	2.25	0.30	0.49
Diluted earnings (loss) per share:					
Before extraordinary item and change in method of accounting	$ (0.51)	$ 0.26	$ 2.18	$ 0.29	$ 0.48
Change in method of accounting	--	--	(0.03)	--	--
Net income (loss)	(0.51)	0.26	2.15	0.29	0.48
Dividends per common share	0.25	0.25	0.25	0.25	0.25
Total assets	$2,061.2	$2,430.6	$1,162.6	$ 802.0	$ 872.9
Long-term debt	426.8	430.5	130.9	135.4	136.4

The historical results include the following business acquisitions from the acquisition date indicated forward: Synergistics Industries Limited from October 31, 1997; Plast-O-Meric, Inc. and the Wilflex division of Flexible Products Company from June 1, 1998; Adchem, Inc. from September 1, 1998; Acrol Holdings Limited from July 1, 1999; O'Sullivan Corporation from July 8, 1999; Dennis Chemical Company, Inc. from September 8, 1999; and M.A. Hanna Company from September 1, 2000. In addition, 1999 results of operations reflect the formation of Oxy Vinyls, LP on April 30, 1999, and the contribution of substantially all of Geon's formerly consolidated R&I business segment operations to the partnership. In connection with this, the Company acquired businesses from Occidental Chemical Corporation and formed a powder compounding joint venture, all of which are included in the Company's consolidated results of operations from May 1, 1999.

REPORT OF INDEPENDENT AUDITORS AND MANAGEMENT REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
POLYONE CORPORATION:

We have audited the accompanying consolidated balance sheets of PolyOne Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001, appearing on pages 11, 13, 14 and 17 through 33. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Oxy Vinyls, LP (a limited partnership in which the Company has a 24% interest) have been audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to data included for Oxy Vinyls, LP is based solely on their reports.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PolyOne Corporation and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/Ernst & Young LLP

Cleveland, Ohio

January 30, 2002

MANAGEMENT REPORT

Management is responsible for the preparation of PolyOne Corporation's Consolidated Financial Statements and all of the related information appearing in this annual report in accordance with generally accepted accounting principles. Where necessary, this information reflects estimates that are based upon currently available information and management's judgments.

Management is also responsible for maintaining a system of internal accounting controls, with the objectives of providing reasonable assurance that PolyOne's assets are safe-guarded against material loss from unauthorized use or disposition and that authorized transactions are properly recorded to permit the preparation of accurate financial information. Cost/ benefit judgments are an important consideration in this regard. The effectiveness of internal controls is maintained by personnel selection and training, division of responsibilities, establishment and communication of policies, and ongoing internal review programs and audits.

Management believes that PolyOne's system of internal accounting controls as of December 31, 2001, was effective and adequate to accomplish the objectives described above.

Thomas A. Waltermire
Chairman, President and Chief Executive Officer

W. David Wilson
Vice President and Chief Financial Officer

January 30, 2002

FORWARD-LOOKING STATEMENTS

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this annual report, statements that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including, for example, statements about business outlook, assessment of market conditions, strategies, future plans, future sales, prices for major products, inventory levels, capital spending and tax rates. These forward-looking statements are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Factors that could cause actual results to differ materially include (but are not limited to): (1) an inability to achieve or delays in achieving savings related to consolidation and restructuring programs; (2) unanticipated delays in achieving or inability to achieve cost reduction and employee productivity goals and other strategic value capture initiatives; (3) the effect on foreign operations of currency fluctuations, tariffs, nationalization, exchange controls, limitations on foreign investment in local businesses and other political, economic and regulatory risks; (4) unanticipated changes in world, regional or U.S. plastic, rubber and PVC consumption growth rates affecting the Company's markets; (5) unanticipated changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the PVC, VCM, chlor-alkali or other industries in which the Company participates; (6) fluctuations in raw material prices and supply and energy prices and supply, in particular fluctuations outside the normal range of industry cycles; (7) unanticipated production outages or material costs associated with scheduled or unscheduled maintenance programs; (8) unanticipated costs or difficulties and delays related to the operation of joint venture entities; (9) lack of day-to-day operating control, including procurement of raw material feed-stocks, of other equity or joint venture relationship companies; (10) lack of direct control over the reliability of delivery and quality of the primary raw materials utilized in the Company's products; (11) partial control over investment decisions and dividend distribution policy of the OxyVinyls partnership and other minority equity holdings of the Company; (12) an inability to launch new products and/or services that fit strategically with and add value to the Company's business; (13) the possibility of goodwill impairment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

[PHOTOS]

THOMAS A. WALTERMIRE, 52
Chairman of the Board, President
and Chief Executive Officer

JAMES K. BAKER, 70
Retired Chairman and
Chief Executive Officer,
Arvin Industries, Inc. -
an auto parts supplier
Committees: 4(*), 5

J. DOUGLAS CAMPBELL, 60
Retired President and
Chief Executive Officer,
Arcadian Corporation - a chemicals
and fertilizer manufacturer
Committees: 1, 4

DR. CAROL A. CARTWRIGHT, 60
President, Kent State University -
a public higher education institution
Committees: 4, 5

GALE DUFF-BLOOM, 62
Retired President, Company
Communications and Corporate
Image, J. C. Penney Company, Inc. -
a major retailer
Committees: 2(*), 5

WAYNE R. EMBRY, 65
Retired President and
Chief Operating Officer,
Team Division, Cleveland Cavaliers -
a professional basketball team
Committees: 2, 3

ROBERT A. GARDA, 63
Executive-in-Residence,
The Fuqua School of Business,
Duke University - a private higher
education institution
Committees: 1, 4

GORDON D. HARNETT, 59
Chairman, President and
Chief Executive Officer,
Brush Engineered Materials Inc. -
a supplier and producer of
engineered materials
Committees: 1(*), 3

DAVID H. HOAG, 62
Retired Chairman, LTV Corporation -
a steel manufacturer
Committees: 2, 5(*)

D. LARRY MOORE, 65
Retired President and
Chief Operating Officer,
Honeywell, Inc. - a manufacturer
of control systems for home,
industry and aviation
Committees: 1, 3(*)

FARAH M. WALTERS, 57
President and Chief Executive Officer,
University Hospitals Health System
and University Hospitals of Cleveland -
a health care provider
Committees: 2, 3

COMMITTEES:
1 Audit
2 Compensation
3 Environmental, Health and Safety
4 Financial Policy
5 Nominating and Governance
(*) Denotes Chairperson

EXECUTIVES AND OFFICERS

THOMAS A. WALTERMIRE
Chairman of the Board, President
and Chief Executive Officer

ROGER W. AVAKIAN
Chief Technology Officer

BERNARD BAERT
Vice President,
International, Plastic Compounds
and Colors Group

DENIS L. BELZILE
Vice President,
Specialty Resins and Formulators

DENNIS A. COCCO
Chief Investor and
Communications Officer

DIANE J. DAVIE
Chief Human Resources Officer

RONALD C. KAMINSKI SR.
Chief Environment, Safety
and Quality Officer

DANIEL L. KICKEL
Chief Sourcing Officer

V. LANCE MITCHELL
Group Vice President,
Plastic Compounds and Colors

DAVID D. QUESTER
Vice President,
Engineered Films

JOHN E. QUINN
Group Vice President,
Elastomers and Performance
Additives

MICHAEL L. RADEMACHER
Group Vice President,
Distribution

JOHN L. RASTETTER
Treasurer

WENDY C. SHIBA
Chief Legal Officer
and Corporate Secretary

GREGORY P. SMITH
Controller

KENNETH M. SMITH
Chief Information Officer

W. DAVID WILSON
Chief Financial Officer

STOCK EXCHANGE LISTING
PolyOne Corporation Common Stock is listed on the New York Stock Exchange. Symbol: POL.

STOCKHOLDER INQUIRIES
If you have any questions concerning your account as a stockholder, name or address changes, inquiries regarding dividend checks or stock certificates, or if you need tax information regarding your account, please contact our transfer agent:

EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, New Jersey 07303
Phone: (800) 317-4445

Complimentary copies of Form 10-K and other reports filed with the Securities and Exchange Commission are available online at www.polyone.com or from:

Investor Affairs Administrator
PolyOne Corporation
Suite 36-5000
200 Public Square
Cleveland, Ohio 44114
Phone: (216) 589-4376

ANNUAL MEETING
The annual meeting of stockholders of PolyOne Corporation will be held May 23, 2002, at 9:00 a.m. at The Forum Conference and Education Center, One Cleveland Center, 1375 East 9th Street, Cleveland, Ohio.

The meeting notice and proxy materials were mailed to stockholders with this report. PolyOne Corporation urges all stockholders to vote their proxies so

that they can participate in the decisions at the annual meeting.

FINANCIAL INFORMATION
Security analysts and representatives of financial institutions are invited to contact:

W. David Wilson
Chief Financial Officer
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FINANCIAL INFORMATION and MEDIA CONTACT
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Chief Investor and Communications Officer
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AUDITORS
Ernst & Young LLP
1300 Huntington Building
925 Euclid Avenue
Cleveland, Ohio 44115-1405

INTERNET ACCESS
Information on PolyOne's products and services, news releases, EDGAR filings, Form 10-K, 10-Q, etc., as well as an electronic version of this annual report, are available on the Internet at www.polyone.com.

[POLYONE LOGO]

www.polyone.com

EXHIBIT 13.2

OXY VINYLS, LP AND SUBSIDIARIES

Consolidated Financial Statements
As of December 31, 2001 and 2000

Together with Report of Independent Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners,
Oxy Vinyls, LP:

We have audited the accompanying consolidated balance sheets of Oxy Vinyls, LP and subsidiaries (the "Partnership") as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in partners' capital, and cash flows for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Dallas, Texas,
January 28, 2002

OXY VINYLS, LP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000
(Amounts in thousands)

	2001	2000
CURRENT ASSETS		
Cash and cash equivalents	$ 9,303	$ 15,942
Trade receivables	4,863	30,754
Other receivables	6,798	9,602
Foreign income taxes receivable	2,868	5,000
Receivable from Occidental Receivables, Inc., net	138,607	149,691
Receivable from Occidental Chemical Corporation, net	16,548	8,952
Inventories	105,167	122,807
Prepaid expenses	3,074	4,951
Total current assets	287,228	347,699
Loans receivable from Occidental Petroleum Corporation, net	17,503	46,000
Property, plant and equipment, net	967,475	980,084
Other assets, net	21,126	18,994
TOTAL ASSETS	$ 1,293,332	$ 1,392,777
CURRENT LIABILITIES		
Current maturities of long-term debt	$ --	$ 296
Accounts payable	117,912	180,809
Accrued liabilities	43,847	41,371
Accrued property taxes	15,133	18,410
Payable to PolyOne Corporation, net	1,811	6,894
Total current liabilities	178,703	247,780
Long-term debt, net of current maturities	--	37,964
Equity investment in unconsolidated subsidiary	47,250	29,069
Note payable to Occidental Chemical Corporation	9,964	--
Postretirement benefit obligations	16,723	14,883
Deferred credits and other liabilities	7,652	11,973
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
PARTNERS' CAPITAL	1,033,040	1,051,108
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 1,293,332	$ 1,392,777

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLS, LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2001 and 2000 and
For the Period from April 30, 1999 through December 31, 1999
(Amounts in thousands)

	Year Ended December 31, 2001	Year Ended December 31, 2000	April 30, 1999 through December 31, 1999
REVENUES			
Net sales	$ 1,546,254	$ 1,892,292	$ 1,102,099
Equity in (losses) earnings of unconsolidated subsidiary	(18,181)	(3,550)	10,480
	1,528,073	1,888,742	1,112,579
COSTS AND OTHER DEDUCTIONS			
Cost of sales	1,472,100	1,683,052	997,505
Selling, general and administrative and other operating expenses	70,687	58,423	43,295
Gain on sale of assets	--	(912)	--
Interest expense, net	1,052	1,394	4,420
(LOSS) INCOME FROM OPERATIONS BEFORE INCOME TAXES	(15,766)	146,785	67,359
(Benefit) provision for income taxes	(1,836)	593	3,699
NET (LOSS) INCOME	$ (13,930)	$ 146,192	$ 63,660

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLS, LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
For the Years Ended December 31, 2001 and 2000 and
For the Period from April 30, 1999 through December 31, 1999
(Amounts in thousands)

	Occidental PVC LP Inc.	Occidental PVC LLC	1999 PVC Partner Inc.	Total Partners' Capital
Initial capitalization on April 30, 1999	$ 723,717	$ 9,650	$ 231,589	$ 964,956
Net income	47,745	637	15,278	63,660
Distributions to partners	(10,745)	(142)	(3,438)	(14,325)
Balance at December 31, 1999	$ 760,717	$ 10,145	$ 243,429	$ 1,014,291
Net income	109,645	1,461	35,086	146,192
Distributions to partners	(82,031)	(1,095)	(26,249)	(109,375)
Balance at December 31, 2000	$ 788,331	$ 10,511	$ 252,266	$ 1,051,108
Net loss	(10,447)	(140)	(3,343)	(13,930)
Non-cash distributions to partners	(3,104)	(41)	(993)	(4,138)
Balance at December 31, 2001	$ 774,780	$ 10,330	$ 247,930	$ 1,033,040

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLS, LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000 and
For the Period from April 30, 1999 through December 31, 1999
(Amounts in thousands)

	Year Ended December 31, 2001	Year Ended December 31, 2000	April 30, 1999 through December 31, 1999
CASH FLOW FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (13,930)	$ 146,192	$ 63,660
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	63,135	60,112	48,166
Equity in losses (earnings) of unconsolidated subsidiary	18,181	3,550	(10,480)
Gain on disposition of assets, net	--	(912)	--
(Decrease) increase deferred foreign income taxes	(488)	1,322	316
Other noncash (credits) charges to income	(1,687)	7,998	1,533
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other receivables	28,186	(17,043)	105,236
Decrease in loans receivable from OxyMar	--	12,500	12,500
Decrease (increase) in inventories	17,336	(16,977)	(23,220)
Decrease (increase) in receivables from Occidental Receivables, Inc.	11,084	50,350	(200,041)
Decrease (increase) in foreign income taxes receivable	2,132	(8,278)	3,278
Decrease (increase) in prepaid expenses	1,877	(2,102)	(549)
(Decrease) increase in accounts payable and accrued liabilities	(63,698)	(31,161)	133,023
(Increase) decrease in receivable from Occidental Chemical Corporation, net	(9,973)	3,287	(12,239)
(Decrease) increase in payable to PolyOne Corporation, net	(6,844)	624	6,270
Other operating, net	9,614	(6,808)	(6,007)
Net cash provided by operating activities	54,925	202,654	121,446
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets	--	3,328	--
Capital expenditures	(61,765)	(67,001)	(24,525)
Net cash used by investing activities	(61,765)	(63,673)	(24,525)
CASH FLOW FROM FINANCING ACTIVITIES:			
(Payments) proceeds on long term-debt	(38,260)	(16,296)	44,000
Proceeds from note payable to Occidental Chemical Corporation	9,964	--	--
Distributions to partners	--	(109,375)	(14,325)
Decrease (increase) in loans receivable from Occidental Petroleum Corporation	28,497	(17,210)	(106,790)
Net cash provided (used) by financing activities	201	(142,881)	(77,115)
(Decrease) increase in cash and cash equivalents	(6,639)	(3,900)	19,806
Cash and cash equivalents, beginning of period	15,942	19,842	36
Cash and cash equivalents, end of period	$ 9,303	$ 15,942	$ 19,842

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLS, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

(1) FORMATION AND OPERATIONS -

Oxy Vinyls, LP ("OxyVinyls" or the "Partnership"), a Delaware limited partnership, was formed on April 6, 1999, pursuant to a Limited Partnership Agreement among Occidental PVC LP, Inc. (the "Oxy Limited Partner") and Occidental PVC, LLC (the "Oxy General Partner"), wholly-owned subsidiaries of Occidental Chemical Corporation (OCC) and 1999 PVC Partner Inc., (the "PolyOne Limited Partner"), a subsidiary of PolyOne Corporation ("PolyOne") (formerly The Geon Company). The contributions and related transactions hereinafter described in this Note were effective, and the Partnership commenced operations, as of April 30, 1999, at which time the Limited Partnership Agreement was amended pursuant to a First Amended and Restated Limited Partnership Agreement dated as of April 30, 1999 (collectively with the Limited Partnership Agreement, the "Partnership Agreement"). Through the Oxy General Partner and the Oxy Limited Partner, OCC indirectly owns a seventy-six percent interest in the Partnership. OCC is an indirect, wholly-owned subsidiary of Occidental Petroleum Corporation (OPC). Through the PolyOne Limited Partner, PolyOne indirectly owns a twenty-four percent interest in the Partnership.

The Partnership owns and operates polyvinyl chloride (PVC) and vinyl chloride monomer (VCM) assets in the United States that were contributed on behalf of the Oxy General Partner and the Oxy Limited Partner by OCC, and on behalf of the PolyOne Limited Partner, by PolyOne. These assets consist of several manufacturing facilities on the U.S. Gulf Coast, as well as manufacturing facilities in Kentucky and New Jersey and two chlor-alkali and cogeneration facilities near Houston, Texas. A fifty percent equity interest in OxyMar, a Texas general partnership between Oxy VCM Corporation ("Oxy VCM"), an indirect wholly-owned subsidiary of OPC, and U.S. VCM Corporation ("U.S. VCM"), a wholly-owned subsidiary of Marubeni Corporation ("Marubeni"), a Japanese corporation, was contributed to the Partnership through the merger of Oxy VCM into the Oxy General Partner and the subsequent transfer by the Oxy General Partner of its equity interest in OxyMar to the Partnership. (See Note 2.)

The Partnership also owns and operates two PVC manufacturing facilities located in Ontario and Alberta, Canada. Ownership of these Canadian assets was acquired through a transfer by PolyOne Canada Inc., a wholly- owned Canadian subsidiary of PolyOne, of the capital stock of Oxy Vinyls Canada Inc. ("OxyVinyls Canada") to 3547728 Canada, Inc., an indirect Canadian subsidiary of the Partnership. For the capital stock of OxyVinyls Canada, 3547728 Canada Inc. paid $36 million U.S. dollars borrowed by the Partnership from OPC and contributed by the Partnership as capital to its subsidiary, LaPorte Chemicals Corp. ("LaPorte") and further contributed by LaPorte to 3547728 Canada Inc. 3547728 Canada Inc. and OxyVinyls Canada were amalgamated with OxyVinyls Canada as the surviving entity.

The assets and liabilities contributed on behalf of the Oxy General Partner and the Oxy Limited Partner were recorded at OCC's book basis by the Partnership. The assets and liabilities contributed on behalf of the PolyOne Limited Partner were recorded at their fair value by the Partnership.

Under terms of the Partnership Agreement, net income is allocated among the partners pro rata based on their percentage ownership of the Partnership. Distributions to the partners and any additional cash contributions required by the Partnership are also based on the partners' percentage ownership of the Partnership.

The consolidated financial statements include the accounts of OxyVinyls and its wholly-owned subsidiary, LaPorte, as well as LaPorte's subsidiary, OxyVinyls Canada, whose functional currency is the U.S. dollar. All intercompany accounts and transactions have been eliminated.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Risks and uncertainties -

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally by immaterial amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of OxyVinyls' financial position and results of operations.

Since OxyVinyls' major products are commodities, significant changes in the prices of chemical products could have a significant impact on OxyVinyls' results of operations for any particular period. OxyVinyls had one major customer, PolyOne, during the periods presented, which accounted for 14.8% of total sales for the year ended December 31, 2001, 20.5% of total sales for the year ended December 31, 2000, and 14.5% of total sales during the period from April 30, 1999 through December 31, 1999. PolyOne's trade receivable balance with OxyVinyls was approximately $16 million and $23 million at December 31, 2001 and 2000, respectively.

Substantially all key raw materials are supplied by related parties. (See Note 11.)

OxyVinyls receives all VCM for its Alberta, Canada facility from one supplier. The amounts of VCM supplied to this facility totaled approximately $47 million, $67 million and $45 million for the years ended December 31, 2001 and 2000 and for the period from April 30, 1999 through December 31, 1999, respectively. Starting January 1, 2001, all VCM supplied to the Alberta, Canada facility has been provided under the terms of an exchange agreement (see Exchanges below).

Revenue recognition -

Revenue from product sales is recognized as title passes, which is upon shipment of product to the customer.

Income taxes -

The Partnership is generally not subject to income taxes except for Canadian income taxes related to OxyVinyls Canada, certain U.S. state income taxes and U.S. federal income taxes associated with LaPorte.

The Partnership follows Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", pursuant to which the liability method is used in accounting for taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and regulations that will be in effect when the differences are expected to reverse.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Recent accounting pronouncements -

During 2000, OxyVinyls adopted Emerging Issues Task Force ("EITF") No. 00-10 - "Accounting for Shipping and Handling Fees and Costs" ("EITF No. 00-10") which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF No. 00-10 requires that transportation costs that had been accounted for as deductions from net sales should now be recorded in cost of sales. The implementation of EITF 00-10 had no effect on net income. The period from April 30, 1999 through December 31, 1999 was reclassified to reflect this accounting change. The transportation costs that have been reclassed from net sales and included in cost of sales on the accompanying consolidated statements of operations totaled $34.2 million for the period from April 30, 1999 through December 31, 1999.

In 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). In 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133." In 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133." SFAS No. 133, as amended, was effective for OxyVinyls as of January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities and requires an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value. Changes in the derivative instruments' fair value must be recognized into earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The adoption of SFAS 133, as amended, did not have an impact on the Partnership's financial position or results of operations on January 1, 2001.

In the fourth quarter of 2000, OxyVinyls adopted the disclosure provisions of SFAS No. 140 - "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125," ("SFAS No. 140") which revises disclosure standards for asset securitizations and other financial asset transfers. SFAS No. 140 also contains provisions which revise certain criteria for accounting for securitization, financial asset transfers and collateral. These accounting provisions were adopted by OxyVinyls on April 1, 2001. The implementation of these provisions of SFAS No. 140 did not have an impact on OxyVinyls' consolidated financial position or results of operations.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS No. 141"), which requires the purchase method of accounting for business combinations initiated after June 30, 2001. The adoption of SFAS No. 141 did not have an impact on the Partnership's financial position or results of operations.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangibles" ("SFAS No. 142"). The statement requires that goodwill recorded on acquisitions completed prior to July 1, 2001 be amortized through December 31, 2001. Goodwill amortization is precluded on acquisitions completed after June 30, 2001. Effective January 1, 2002, goodwill will no longer be amortized but will be tested for impairment annually. The adoption of SFAS No. 142, effective January 1, 2002, is not expected to have an impact on the Partnership's financial position or results of operations.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Recent accounting pronouncements - (continued)

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." ("SFAS No. 143") which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated assets' retirement costs. The new standard will be effective for the Partnership beginning January 1, 2003, and management is currently evaluating the effect this standard will have on the Partnership's financial position and results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). This Statement, which addresses the accounting for impairment or disposal of long-lived assets, supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provisions of APB 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occuring Events and Transactions". The new standard will be effective for the Partnership beginning January 1, 2002, and it is not expected to have an impact on the Partnership's financial position or results of operations.

Reclassifications -

Certain prior year amounts have been reclassified to conform to the December 31, 2001 presentation.

Foreign currency -

The functional currency applicable to OxyVinyls' Canadian operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a gain of $.2 million for the year ended December 31, 2001, a loss of $4.0 million for the year ended December 31, 2000, and a gain of $.2 million for the period from April 30, 1999 through December 31, 1999. These amounts are included in the expense category of the item that gave rise to the related transaction gain or loss.

Cash and cash equivalents -

Cash equivalents consist of highly liquid certificates of deposits and a restricted bank deposit (see Note 7) with initial maturities of three months or less. Cash equivalents totaled $3.5 million and $6.6 million at December 31, 2001 and 2000, respectively.

Interest income on deposits with unrelated parties was $.5 million for the year ended December 31, 2001, $1.1 million for the year ended December 31, 2000 and $.4 million for the period from April 30, 1999 through December 31, 1999.

Cash overdrafts are reclassified to accounts payable and amounted to $8.7 million and $9.9 million as of December 31, 2001 and 2000, respectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Equity investment in OxyMar -

OxyMar, a partnership that is 50 percent owned by OxyVinyls, owns a VCM manufacturing facility at Ingleside, Texas which is operated on OxyMar's behalf by OCC pursuant to an operating agreement. OxyMar is not subject to federal or state income taxes as income is reportable directly by the individual partners. OxyVinyls accounts for its investment in OxyMar using the equity method of accounting for subsidiaries.

Effective November 29, 2000, U.S. VCM transferred 28.6 percent of the ownership of OxyMar to Oxy VCM, LP ("Oxy VCM"), an indirect wholly-owned subsidiary of OCC. In connection with such transfer, OxyVinyls, Oxy VCM and U.S. VCM entered into the Second Amended and Restated Partnership Agreement ("the OxyMar Partnership Agreement"), dated as of November 29, 2000, pertaining to the ownership and operation of OxyMar. Pursuant to the OxyMar Partnership Agreement, U.S. VCM and OxyVinyls retained 50/50 management control of OxyMar. The percentage ownership interest held by each partner of OxyMar is:

OxyVinyls	50.0%
Oxy VCM	28.6%
U.S. VCM	21.4%

Under the terms of the OxyMar Partnership Agreement, net income is allocated among the partners pro rata based on their percentage interest in the results of OxyMar. Distributions to the partners are also based on the partners' percentage interest in OxyMar. Subject to certain qualifications described below, the OxyMar Partnership Agreement requires cash calls from each partner when the quarterly cash flow forecast approved by the OxyMar managing committee shows a deficit in any month. Each partner is required to contribute a pro rata portion, based on their respective percentage interests, of the deficit in the form of an equity contribution or subordinated loan. The foregoing obligations are qualified to the extent that during the period from November 29, 2000 until April 30, 2004 (the "Restricted Period") OxyMar may not require any partner to make any contribution or loan for any purpose and the funding requirements of OxyMar shall be met by loans arranged or provided by OPC. To implement such loans during the Restricted Period, effective as of December 27, 2000, OxyMar entered into a $100 million Cash Management and Revolving Credit Facility Agreement with OPC (the "OPC Revolver"). Effective February 28, 2001, the credit facility limit under the OPC Revolver was increased to $200 million.

Pursuant to the terms of the OxyMar Partnership Agreement, upon the expiration of the Restricted Period, U.S. VCM may elect to require OCC (or any affiliate designated by OCC) to purchase U.S. VCM's remaining 21.4 percent equity interest in OxyMar and in connection with such transfer require OPC to assume Marubeni's guarantee of OxyMar's outstanding indebtedness. For purposes of such transfer, the value of U.S. VCM's remaining interest in OxyMar is calculated based upon an agreed deemed value of the OxyMar partnership less partnership indebtedness, subject to certain adjustments for accrued taxes, interest and available cash.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Equity investment in OxyMar - (continued)

At December 31, 2001 and 2000, the historical underlying equity in net assets of OxyMar exceeded the Partnership's investment in OxyMar by $7.0 million and $7.5 million, respectively. The deficiency is being amortized on a straight-line basis into income over 25 years. Amortization amounted to $.5 million for each of the years ended December 31, 2001 and 2000, and $.4 million for the period from April 30, 1999 through December 31, 1999 and is included in equity in (losses)/earnings of unconsolidated subsidiary on the consolidated statements of operations. The following table presents summarized financial information of OxyMar (in thousands):

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000	April 30, 1999 Through December 31, 1999
Net sales	$ 370,432	$ 431,555	$ 303,273
Costs and expenses	408,212	439,836	281,601
Net (loss) income	$ (37,780)	$ (8,281)	$ 21,672
Current assets	$ 30,302	$ 68,423	
Noncurrent assets	$ 338,115	$ 346,642	
Current liabilities	$ 35,660	$ 36,255	
Noncurrent liabilities	$ 413,378	$ 421,651	
Partners' capital	$ (80,621)	$ (42,841)	

At December 31, 2001, OPC unconditionally provides guarantees of $187.5 million of OxyMar's obligations, which include private placement bonds and a revolving credit line.

See Note 11 regarding OxyVinyls' purchase commitment from OxyMar. Unrealized profits on inventory purchased from OxyMar are deferred by OxyVinyls based on ownership percentage and are recognized upon the ultimate sale to an unaffiliated customer.

Other assets, net -

Other assets, net includes trade receivable balances of $5.2 million and $9.0 million at December 31, 2001 and 2000, respectively due from customers which filed bankruptcy during the year 2000. Management believes the amounts are collectible over a period greater than one year and the receivables have been reduced to their net realizable value. The allowance for doubtful long-term receivables was $2.3 million and $4.5 million at December 31, 2001 and 2000, respectively. Other assets, net also includes certain tangible assets and deferred charges that are amortized over the estimated periods to be benefited (3 - 10 years).

Major maintenance expenditures -

OxyVinyls uses the accrue-in-advance method to account for major maintenance turnaround expenditures. Under this method, an estimate is made of the costs expected to be incurred in connection with the next planned periodic maintenance shutdown. That estimate is then accrued on a straight-line basis over the period of time until the next planned major maintenance shutdown occurs. The liability for major maintenance turnaround included in accrued liabilities was $12.4 million and $10.1 million as of December 31, 2001 and 2000, respectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Exchanges -

Finished product exchange transactions, which involve homogeneous commodities held for sale in the ordinary course in the same line of business and do not involve the payment or receipt of cash, are not accounted for as purchases and sales. Any resulting volumetric exchange balances are accounted for as inventory in accordance with the normal inventory valuation policy.

Environmental costs -

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves, OxyVinyls uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Probable recoveries or reimbursements are recorded as an asset.

Pursuant to the asset contribution agreements of the Partnership, the contributors (OCC and PolyOne) have an obligation to indemnify OxyVinyls for health, safety and environmental claims that relate to pre-May 1, 1999 activities and that existed as of April 30, 1999, or arise within ten years of that date, except to the extent that OxyVinyls exacerbated or accelerated the claim.

As of December 31, 2001, management believes no environmental reserve is required.

Research and development costs -

Research and development costs, which are charged to selling, general and administrative and other operating expenses as incurred, were $4.5 million for the year ended December 31, 2001, $6.9 million for the year ended December 31, 2000 and $4.4 million for the period from April 30, 1999 through December 31, 1999.

Supplemental cash flow information -

Cash payments for income taxes totaled $.6 million during the year ended December 31, 2001, $7.4 million during the year ended December 31, 2000, and $.1 million during the period from April 30, 1999 through December 31, 1999. Net interest paid totaled $2.4 million during the year ended December 31, 2001, and $4.1 million for the year ended December 31, 2000 and $4.2 million during the period from April 30, 1999 through December 31, 1999.

During the years ended December 31, 2001 and 2000 and for the period from April 30, 1999 through December 31, 1999, OxyVinyls sold trade receivables to an affiliate, Occidental Receivables, Inc. (ORI), in noncash transactions. (See Note 3.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Fair value of financial instruments -

OxyVinyls values financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those instruments. OxyVinyls estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to OxyVinyls for debt of similar rating and similar remaining maturities. The estimated fair value of OxyVinyls' long-term debt at December 31, 2001 and 2000 was approximately $9.9 million and $37.7 million, respectively, compared with a carrying value of $10.0 million and $38.3 million, respectively. (See Note 6.) The carrying value of all other financial instruments approximates fair value.

(3) RECEIVABLES -

During the year ended December 31, 2001 and 2000, OxyVinyls sold, with limited recourse, to ORI certain trade receivables under a revolving sale program in connection with the ultimate sale for cash of an undivided ownership interest in such receivables by ORI. OxyVinyls has retained the collection responsibility with respect to the receivables sold. An interest in new receivables is sold monthly in noncash transactions representing the net difference between newly created receivables and collections made from customers. In January 2001, OxyVinyls entered into a new similar type of program, under substantially identical terms. The net receivables balance sold as of December 31, 2001 and 2000, was $139 million and $150 million, respectively.

(4) INVENTORIES -

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method was used to determine the cost of $72 million and $81 million of inventories at December 31, 2001 and 2000, respectively. The remaining inventories are accounted for using the first-in, first-out (FIFO) and weighted-average-cost methods. Inventories consisted of the following (in thousands):

	2001	2000
Raw materials	$ 21,399	$ 24,209
Materials and supplies	20,137	22,574
Finished goods	64,697	96,300
	106,233	143,083
LIFO and lower of cost or market reserve	(1,066)	(20,276)
Total inventories	$ 105,167	$ 122,807

During 2001, certain inventory quantities carried at LIFO were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2001 purchases, the effect of which decreased cost of sales by approximately $1.0 million.

(5) PROPERTY, PLANT AND EQUIPMENT -

Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets. OxyVinyls capitalized $2.1 million and $1.5 million of interest during the years ending December 31, 2001 and 2000, respectively. Depreciation of plant and equipment is primarily provided using the units-of-production method based on estimated total productive life. The Partnership has reviewed its long-lived assets to be held and used for impairment during the years ended December 31, 2001 and 2000 and during the period from April 30, 1999 through December 31, 1999. Management believes no circumstances exist that would indicate the carrying value of a long-lived asset may not be recoverable. Property, plant and equipment consisted of the following (in thousands):

	2001	2000
Land and land improvements	$ 32,354	$ 30,998
Buildings	55,618	54,215
Machinery and equipment	1,259,560	1,195,727
Construction in progress	39,728	68,498
	1,387,260	1,349,438
Accumulated depreciation	(419,785)	(369,354)
Property, plant and equipment, net	$ 967,475	$ 980,084

(6) LONG-TERM DEBT -

Long-term debt consisted of the following (in thousands):

	2001	2000
Note payable to OCC, 4.2%, due 2006	$ 9,964	$ --
Pollution control revenue bonds, 6%, due through 2007	--	9,760
Pollution control revenue bonds, 6.75%, due through 2009	--	500
Loan payable to Canadian bank under credit agreement, variable rate 7.8% at December 31, 2000, due in 2004	--	28,000
	9,964	38,260
Current maturities	--	(296)
	$ 9,964	$ 37,964

(6) LONG-TERM DEBT - (continued)

Minimum principal payments on long-term debt subsequent to 2001 are as follows (in thousands):

2002	$ -
2003	-
2004	-
2005	-
2006	9,964
Thereafter	-
	$ 9,964

The pollution control revenue bonds and the Canadian bank loan were repaid during 2001 using the proceeds from the note payable to OCC and collections of loans receivable from OPC.

The Canadian bank loan, when drawn upon, is payable in U.S. dollars under the terms of the Amended Credit Agreement entered into by OxyVinyls in December 1999. OxyVinyls Canada may borrow up to $10 million U.S. dollars under the terms of the Amended Credit Agreement , which is guaranteed by OPC. The bank loan was not drawn upon at December 31, 2001.

Interest expense related to long-term external debt was $2.2 million for the year ended December 31, 2001, $4.1 million for the year ended December 31, 2000, and $.5 million for the period from April 30, 1999 through December 31, 1999.

(7) COMMITMENTS AND CONTINGENCIES -

Leases -

At December 31, 2001, future net minimum rental commitments under noncancelable operating leases with terms in excess of one year are as follows (in thousands):

2002	$ 23,772
2003	21,825
2004	17,958
2005	14,431
2006	12,047
Thereafter	59,159
	$ 149,192

(7) COMMITMENTS AND CONTINGENCIES - (continued)

Leases - (continued)

OxyVinyls leases certain manufacturing facilities in LaPorte, Texas, and railcars under the terms of various related agreements dated April 30, 1999 (collectively, the "LaPorte Lease"). The initial lease term extends through April 20, 2004, and has a provision for annual renewals for an additional five years. Upon termination of the LaPorte Lease, OxyVinyls may purchase the assets based upon their estimated fair values. In the event OxyVinyls does not purchase the assets, the LaPorte Lease provides a residual value guarantee by OxyVinyls of approximately $152 million. Currently, OxyVinyls does not expect to make payments under this provision. Total estimated future rental commitments of $14.7 million under the LaPorte Lease are included in the operating lease commitments above. Actual rent payments under the LaPorte Lease are calculated using variable interest rates. OxyVinyls has restricted bank deposits, recorded in cash and cash equivalents on the consolidated balance sheets, associated with the LaPorte Lease of $3.5 million and $3.6 million as of December 31, 2001 and 2000, respectively. OxyVinyls earns interest on these deposits which will be returned to OxyVinyls upon termination of the LaPorte Lease. All obligations under the LaPorte Lease are guaranteed by OPC.

Rent expense was approximately $26.6 million for the year ended December 31, 2001, $29.9 million for the year ended December 31, 2000 and $21.5 million for the period from April 30, 1999 through December 31, 1999. Rent expense is included in cost of sales in the consolidated statements of operations.

Other -

OxyVinyls has entered into an agreement providing for the following future payments (in thousands) to purchase brine, a raw material utilized in chlor-alkali production. At December 31, 2001, the net present value of the fixed and determinable portion of the obligation under this agreement was used to collateralize financing of the brine supplier.

2002	$ 588
2003	547
2004	509
2005	473
2006	440
Thereafter	2,373
	$ 4,930

OxyVinyls has certain other commitments under contracts to purchase electrical power and raw materials and other obligations, all in the ordinary course of business and at market prices.

The Partnership also becomes involved in certain legal proceedings in the normal course of business. Management believes that the outcome of such matters will not significantly affect the Partnership's consolidated financial position or results of operations.

Also, see Note 2 and Note 9 related to income taxes and Note 10 and 11 regarding related parties.

(8) RETIREMENT PLANS AND POSTRETIREMENT BENEFITS -

OxyVinyls participates in various defined contribution retirement plans sponsored by OPC for its salaried, domestic union and nonunion hourly, and certain foreign national employees that provide for periodic contributions by OxyVinyls based on plan-specific criteria, such as base pay, age level, and/or employee contributions. OxyVinyls expensed approximately $9.2 million, $8.2 million and $4.7 million, for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively, under the provisions of these plans.

OxyVinyls provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. The benefits generally are funded by OxyVinyls as they are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total benefit costs, including the postretirement costs, were approximately $7.9 million in 2001, $7.2 million in 2000 and $5.0 million during the period from April 30, 1999 through December 31, 1999.

The following table sets forth the components of the net periodic benefit costs from OxyVinyls' postretirement benefit plans (in thousands)

	For the Year Ended December 31, 2001	For the Year Ended December 31, 2000	April 30, 1999 Through December 31, 1999
Service cost--benefits earned during the period	$ 621	$ 573	$ 625
Interest cost on benefit obligation	1,187	1,057	827
Net periodic benefit cost	$ 1,808	$ 1,630	$ 1,452

OxyVinyls' postretirement benefit plans are accrued based on various assumptions and discount rates, as described below. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities accrued.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation for OxyVinyls' postretirement benefit plans (in thousands):

Changes in benefit obligation:	2001	2000
Benefit obligation - beginning of year	$ 15,254	$ 11,942
Service cost - benefits earned during the period	621	573
Interest cost on projected benefit obligation	1,187	1,057
Actuarial loss	1,814	1,697
Benefits paid	(189)	(15)
Benefit obligation - end of year	$ 18,687	$ 15,254

(8) RETIREMENT PLANS AND POSTRETIREMENT BENEFITS - (continued)

The postretirement benefit obligations were determined by application of the terms of medical and dental benefits and life insurance coverage, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a Consumer Price Index (CPI) increase of 3 percent as of December 31, 2001 and 2000. Participants pay for all medical cost increases in excess of increases in the CPI. Consequently, increases in the assumed healthcare cost trend rates beyond the CPI increase would have no impact on the postretirement benefit obligation at December 31, 2001 and 2000. The discount rate used in determining the benefit obligation was 7.0 percent, 7.75 percent, and 7.75 percent as of December 31, 2001 and 2000 and for the period from April 30, 1999 through December 31, 1999, respectively.

Pursuant to the asset contribution agreements of the Partnership, the contributors (OCC and PolyOne) retained liability for, and have an obligation to indemnify the Partnership with respect to, such contributors' employee benefit and welfare plans and programs (including existing retirees and disabled) and any claims by or on behalf of employees of OxyVinyls that are attributable to their employment with the contributor prior to May 1, 1999. Obligations related to postretirement benefits attributable to active employees at April 30, 1999, were assumed by OxyVinyls.

The following table sets forth the funded status and the amount recognized in OxyVinyls' consolidated balance sheets for postretirement benefit obligations at December 31, 2001 and 2000 (in thousands):

	2001	2000
Funded status	$(18,687)	$(15,254)
Unrecognized net loss	2,185	371
Postretirement benefit obligations	$(16,502)	$(14,883)

(9) INCOME TAXES -

Deferred foreign income taxes reflect the future tax consequences of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts. At December 31, 2001 and 2000, OxyVinyls had deferred tax liabilities of $1.1 million and $1.6 million, respectively, which are included in deferred credits and other liabilities on the consolidated balance sheets. The temporary differences resulting in deferred tax liabilities are primarily related to property, plant and equipment.

The current and deferred (benefit)/provision for income tax was $(1.3) million and $(.5) million, respectively, for the year ended December 31, 2001, $(1.4) million and $1.3 million, respectively, for the year ended December 31, 2000 and $3.4 million and $.3 million, respectively, for the period from April 30, 1999 through December 31, 1999. Additionally, the Partnership paid certain minimum state and federal taxes of approximately $.7 million for the year ended December 31, 2000.

OxyVinyls is subject to audit by taxing authorities in various tax jurisdictions. Management believes that any required adjustments to OxyVinyls' tax liabilities will not have a material adverse impact on its financial position or results of operations.

(10) CASH MANAGEMENT AND CREDIT AND DEPOSIT FACILITIES AGREEMENT WITH OPC -

OxyVinyls participates in OPC's centralized cash management system for its domestic operations. OxyVinyls maintains a concentration account to collect cash receipts and to fund disbursements. OPC funds any negative cash balances and collects any excess cash balances on a daily basis in the concentration account under the terms of a Cash Management and Credit and Deposit Facilities Agreement between OPC and OxyVinyls (the "Agreement").

Under terms of the Agreement, OPC has committed to loan OxyVinyls, on a revolving basis, up to $104 million as of December 31, 2001.

PolyOne has guaranteed $42.3 million of the OxyVinyls' loans payable to OPC. This guarantee terminates on the later of April 30, 2002, or when OxyVinyls attains a defined amount of earnings before income taxes, depreciation and amortization.

OPC loans to OxyVinyls cannot decrease below a minimum required balance of $42.3 million before the termination of the PolyOne guarantee. The loan payable to OPC was $42.3 million at December 31, 2001 and 2000. In order to maintain the loan at the minimum required balance, any excess cash collected by OPC is held in the form of interest bearing deposits under terms of the Agreement. These deposits are considered loans receivable from OPC. As of December 31, 2001 and 2000, the balance of loans receivable from OPC was $59.8 million and $88.3 million, respectively. The OxyVinyls' loans payable and receivable to/from OPC, including interest, has been combined and recorded as loans receivable from OPC, net in the accompanying consolidated balance sheets.

Loans payable to OPC accrue interest at the reported one-month London Interbank Offered Rate (LIBOR) plus a calculated variable margin. Loans receivable from OPC accrue interest at the reported one-month LIBOR. Net interest expense (income) under the Agreement totaled $1.5 million for the year ended December 31, 2001, $(.1) million for the year ended December 31, 2000 and $4.5 million for the period from April 30, 1999 through December 31, 1999. Fees payable to OPC under the Agreement totaled $.2 million for the year ended December 31, 2001, $.3 million for the year ended December 31, 2000, and $.4 million for the period from April 30, 1999 through December 31, 1999. These fees are included in other operating expenses.

The Agreement may be terminated by either OxyVinyls or OPC after the termination of the PolyOne guarantee, at which date any outstanding loans as well as any accrued interest and fees payable become due.

(11) RELATED PARTY TRANSACTIONS -

OxyVinyls sells PVC to PolyOne under the terms of a sales agreement that expires on December 31, 2013. The agreement requires PolyOne and its majority affiliates' to purchase their annual PVC requirements in North America from OxyVinyls in excess of 290 million pounds. On the first 880 million pounds of PVC supplied in any calendar year, PolyOne will pay a price which is based upon cost and market considerations. PolyOne will purchase all volumes over 880 million pounds in any calendar year at a competitive market price.

(11) RELATED PARTY TRANSACTIONS - (continued)

OxyVinyls sells VCM to OCC and PolyOne under the terms of separate sales agreements that expire on December 31, 2013. The agreements require that OCC and PolyOne purchase at market price all of their VCM requirements for production of PVC in North America from OxyVinyls. Under the terms of the agreements, PolyOne and OCC receive an integration credit on the first 210 million and 215 million pounds purchased in any year, respectively, to compensate for surrendered purchasing power on major feedstocks.

OxyVinyls' sales of VCM to OCC under the terms of these agreements were approximately $27.5 million and $45.2 million for the years ended December 31, 2001 and 2000, respectively, and $25.9 million for the period from April 30, 1999 through December 31, 1999. OxyVinyls' sales of PVC and VCM to PolyOne under the terms of these agreements were approximately $184 million and $297 million for the years ended December 31, 2001 and 2000, respectively, and $220 million for the period from April 30, 1999 through December 31, 1999.

OxyVinyls sells chlor-alkali and other specialty products to OCC under the terms of a sales agreement that expires on December 31, 2013. This agreement requires OCC to purchase at market price all chlor-alkali products produced by OxyVinyls that are not required for its internal uses. This agreement also requires OCC to purchase all specialty products produced by OxyVinyls at full manufacturing cost. This agreement also requires OxyVinyls to pay OCC a fee for marketing excess chlor-alkali products to third parties. OxyVinyls sold $218.2 million, $181.7 million, and $102.7 million of chlor-alkali and specialty products to OCC during the years ended December 31, 2001 and 2000 and for the period from April 30, 1999 through December 31, 1999, respectively. OxyVinyls paid $19.9 million, $22.0 million and $14.7 million to OCC for the marketing fee during the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls purchases ethylene from Equistar Chemicals LP ("Equistar"), an equity investee of OCC, under the terms of two agreements. The first agreement requires that OxyVinyls purchase ethylene at market price, 250 million pounds during the year 2000 and 200 million pounds in each of the years 2001 through 2003 for the LaPorte VCM facility. This agreement expires December 31, 2003. Under the terms of the second agreement, OxyVinyls purchases ethylene requirements for the Deer Park VCM and OxyMar facilities at Equistar's weighted average selling price, as defined in the agreement. This agreement expires on December 31, 2013. OxyVinyls purchased $193.1 million, $170.5 million and 178.3 million of ethylene from Equistar under the terms of these agreements during the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls purchases chlorine from Sunbelt Chlor Alkali Partnership, an equity investee of PolyOne ("Sunbelt"), under the terms of an agreement that expires on December 31, 2094. This agreement requires OxyVinyls to purchase at market price, less a discount, all chlorine produced by Sunbelt at its chlorine manufacturing process facility in McIntosh, Alabama, up to a maximum of 250 thousand tons per year. OxyVinyls purchased $9.8 million, $38.7 million, and $16.4 million of chlorine from Sunbelt under the terms of this agreement during the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls purchases VCM from OxyMar under the terms of a VCM purchase agreement that runs until such time as OPC, either directly or through its affiliates, ceases to own an equity interest in OxyMar. The agreement requires OxyVinyls to purchase each year at market prices a minimum of 700 million of the first 1.1 billion pounds of VCM produced and 530 million pounds of the next 1 billion pounds produced by OxyMar. Total purchases under this agreement were $290.7 million, $308.9 million and $204.6 million for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively.

(11) RELATED PARTY TRANSACTIONS - (continued)

OxyVinyls incurs costs charged by OCC and PolyOne under the terms of various service and shared facilities agreements. These agreements are in effect generally so long as services continue to be provided between parties and/or facilities continue to be shared. Under the provisions of these agreements, OxyVinyls receives from and makes payments to PolyOne and OCC for shared facilities at Louisville, Kentucky, Pedricktown, New Jersey and Pasadena, Texas. In some cases the agreements contain renewal options at negotiated prices. The net total of these costs were approximately $.7 million, $.5 million and $.1 million for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999, respectively. Additionally, OxyVinyls incured the following costs payable to OCC and PolyOne (in millions).

	OCC	PolyOne
Administrative and other support services		
For the year ended December 31, 2001	$ 25.6	$ 2.9
For the year ended December 31, 2000	12.2	7.8
For the period from April 30, 1999 through December 31, 1999	6.9	6.2
Net railcar rent expense (income)		
For the year ended December 31, 2001	$ 5.6	$ --
For the year ended December 31, 2000	4.8	(.2)
For the period from April 30, 1999 through December 31, 1999	4.3	.5

OxyVinyls had a net receivable from OCC of $16.5 million and $9.0 million as of December 31, 2001 and 2000, respectively.

OxyVinyls had a net payable to PolyOne of $1.8 million and $6.9 million as of December 31, 2001 and 2000, respectively. The amounts due to PolyOne do not include trade receivables of $16 million and $23 million payable to ORI by PolyOne as of December 31, 2001 and 2000. (See Note 2 and Note 3.)

(12) TEMPORARY IDLING OF DEER PARK, TEXAS FACILITY -

On December 27, 2001, OxyVinyls temporarily idled its chlor-alkali manufacturing facility in Deer Park, Texas (the "Deer Park Facility") due to current market conditions. The facility, which has an annual production capacity of approximately 410,000 tons of chlorine and approximately 451,000 tons of its co-product caustic soda, will resume operations when warranted by market conditions. During the period of suspended operations, OCC will supply OxyVinyls with chlorine from other facilities and will continue to meet all customer requirements. Operations at OxyVinyls' VCM, PVC and anhydrous caustic soda facilities at Deer Park will not be impacted by the temporary idling of the chlor-alkali manufacturing facility. For the year ended December 31, 2001, in connection with idling of the Deer Park Facility, OxyVinyls incurred severance and benefit related costs of $10.7 million. Management has reviewed the Deer Park Facility for impairment and believes the carrying value is recoverable.

(13) VALUATION AND QUALIFYING ACCOUNTS -

Approximately 30 employees at various manufacturing facilities were identified in a workforce reduction plan. Certain severance costs of $.9 million and relocation costs of $.9 million were accrued in connection with the formation of the Partnership. Also severance and relocation costs of $2.1 million and $.2 million, respectively, were accrued and charged to expense during the period from April 30, 1999 through December 31, 1999. Total accrued severance and relocation costs are recorded in accrued liabilities and the amount charged to expense during the period from April 30, 1999 through December 31, 1999, is recorded in selling, general and administrative and other operating expenses.

Severance of $10.7 million related to the Deer Park Facility was recorded in 2001. These costs were recorded in accrued liabilities and the amount charged to expense is recorded in selling general and administrative and other operating expenses. (See Note 12.)

The following table presents the activity of certain valuation and qualifying accounts for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999 (in millions).

	Balance at Beginning of Period	Charged to Expense	Deductions	Adjustment	Balance at End of Period
For the year ended December 31, 2001					
Allowance for doubtful accounts	$ --	$ 3.2	$ (1.1)	$ (2.1)(d)	$ --
Allowance for long term doubtful accounts	$ 4.5	$ --	$ --	$ (2.3)(c)	$ 2.2
Severance and other obligations	$ --	$ 10.7	$ --	$ --	$ 10.7
For the year ended December 31, 2000					
Allowance for doubtful accounts	$ --	$ 1.3	$ (.8)	$ (.5)(d)	$ --
Allowance for long term doubtful accounts	$ --	$ 4.5	$ --	$ --	$ 4.5
Severance and other obligations	$ 3.2	$ --	$ (2.6)(a)	$ (.6)(b)	$ --
For the period from April 30, 1999 through December 31, 1999					
Allowance for doubtful accounts	$ 1.3	$ 2.5	$ (.5)	$ (3.3)(d)	$ --
Severance and other obligations	$ 1.8	$ 2.3	$ (.9)(a)	$ --	$ 3.2

(a) Payments under the Partnership's plan for termination and relocation of certain employees.
(b) Adjustment to cost of acquisition.
(c) Adjusted to income.
(d) Allowance balance transferred to ORI, net.

EXHIBIT 21

POLYONE CORPORATION
SUBSIDIARIES

Name	Jurisdiction of Incorporation
1997 Chlor-Alkali Venture Inc.	Alabama
Auseon Limited	Australia
Welvic Australia Pty Ltd. (1)	Australia
PolyOne Wilflex Australasis, PTY Ltd.	Australia
Diversified Compounders, Inc.	California
PolyOne Canada, Inc.	Canada
LP Holdings, Inc.	Canada
Geon Polimeros Andinos S.A. (2)	Columbia (6)
Resintech, S.A.	Costa Rica
1999 General Compounding Partnership Inc.	Delaware (6)
1999 Limited Compounding Partnership Inc.	Delaware
1999 PVC Partner Inc.	Delaware (6)
Decillion Inc.	Delaware (5)
Lincoln & Southern Railroad Company	Delaware
Oxy Vinyls, LP (3)	Delaware (6)
PVC Powder Blends, LP (4)	Delaware (6)
Sunbelt Chlor-Alkali Partnership (2)	Delaware (6)
Acrol Holdings Limited	England
PolyOne Engineering Vinyls UK, Ltd.	England
PolyOne Wilflex Europe, Ltd.	England
Regalite Plastics Corporation	Massachusetts
O'Sullivan Plastics Corporation	Nevada
Geon Development Inc.	Ohio
Polymer Diagnostics, Inc.	Ohio
SPC Geon PTE LTD. (2)	Singapore
Shawnee Holdings, Inc.	Virginia
PolyOne Engineered Films, Inc.	Virginia
Burton Rubber Compounding, LP	Delaware (6)
PolyOne Elastomers Canada, Inc.	Ontario
Bifan S.A.	Luxembourg
M.A. Hanna Plastic Group, Inc.	Michigan
Compounding Technology, Euro S.A.	France
PolyOne Singapore, Ltd.	Singapore
DH Compounding Company	Delaware (6)
Hanna France SARL	France
Hanna PAR Corporation	Delaware
Hollinger Development Company	Nevada
PolyOne Compuestos, S.A. de C.V.	Mexico
PolyOne - Suzhou, China	China
PolyOne Hungary, Ltd.	Hungary

Name	Jurisdiction of Incorporation
PolyOne Shanghai, China	China
M.A. Hanna Asia Holding Company	Delaware
M.A. Hanna Export Services Company	Barbados
M.A. Hanna International Financial Services Company	Ireland
M.A. Hanna de Mexico, S.A. de C.V.	Mexico
PolyOne Distribution Company	Delaware
MAH Plastics Company	Delaware
PolyOne E.C. De Mexico, S.A. de C.V.	Mexico
MAHRC Servicios S.A. De C.V.	Mexico
PolyOne Werk Melos, GmbH	Germany
PolyOne Spain, S.A.	Spain
So.F.teR S.p.A.	Italy
Star Color Co., Ltd.	Thailand
Techmer PM, LLC	Delaware (7)
Tekno Polimer Group	Turkey
PolyOne Th. Bergmann, GmbH	Germany
UBE-Hanna Compounding Company, LLC	Delaware (8)
UBE-Hanna Compounding GmbH	Germany (8)
PolyOne Compounds & Colors U.K., Ltd.	England
PolyOne Belgium S.A.	Belgium
PolyOne Norway A.S.	Norway
PolyOne France, S.A.	France
PolyOne Sweden, A.B.	Sweden
RA Products, Inc.	Michigan
Conexus, Inc.	Nevada
PolyOne Distribution Canada, Inc.	Canada
PolyOne Colors and Additives Germany, GmbH	Germany
Hanna Deutschland, GmbH	Germany
PolyOne Werk Krause, GmbH	Germany
L.E. Carpenter, Inc.	Delaware
Polyanna Srl	Italy
Geplast Srl	Italy
PolyOne Distribution De Mexico S.A., de C.V.	Mexico
M.A. Hanna UK, Ltd.	England

Notes:

(1) Owned 37.4% by the Company
(2) Owned 50% by the Company
(3) Owned 24% by the Company
(4) Owned 90% by the Company
(5) Owned 40% by the Company
(6) Partnership
(7) Owned 51% by the Company
(8) Owned 52% by the Company

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of PolyOne Corporation of our report dated January 30, 2002, included in the 2001 Annual Report to the Shareholders of PolyOne Corporation.

Our audit also included the financial statement schedule of PolyOne Corporation listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-47796) pertaining to Post Effective Amendment No. 1 on Form S-4, and in the Registration Statement (Form S-8 No. 333-48002) pertaining to the PolyOne Corporation 2000 Stock Incentive Plan of our report dated January 30, 2002, with respect to the consolidated financial statements of PolyOne Corporation incorporated herein by reference, and of our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of PolyOne Corporation.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
March 28, 2002

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report on OxyVinyls, LP consolidated financial statements as of December 31, 2001 and 2000, and for the year ended December 31, 2001 and 2000, and for the period from April 30 ,1999 through December 31, 1999, included in this Form 10-K into PolyOne Corporation's previously filed Registration Statement File Nos. 333-47796 and 333-48002.

/s/ Arthur Andersen LLP

Dallas, Texas
March 29, 2002

Exhibit 99.1

1 April 2002

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

Arthur Andersen LLP has been engaged to audit the financial statements of OxyVinyls, LP as of December 31, 2001 and 2000 and for the years ended December 31, 2001 and 2000, and for the period from April 30, 1999 through December 31, 1999. PolyOne Corporation accounts for its 24% ownership interest in OxyVinyls using the equity method of accounting and in accordance with Regulation S-X, Rule 3-09, includes OxyVinyl's financial statements and Arthur Andersen's report thereon dated January 28, 2002 as an exhibit to its Form 10-K.

Arthur Andersen LLP has represented to PolyOne Corporation, by letter dated March 29, 2002, that its audit was subject to Arthur Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Arthur Andersen personnel working on the audit, availability of national office consultation and availability of personnel at foreign affiliates of Arthur Andersen to conduct the relevant portions of the audit.

POLYONE CORPORATION

/s/ Gregory P. Smith
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Corporate Controller and Assistant Treasurer
(Principal Accounting Officer)